



**Report to the New Hampshire Gaming Regulatory Oversight Authority
Regarding a Comprehensive Approach to
Existing and Expanded Gaming**



November 15, 2013

Revision 1: November 15, 2013

TABLE OF CONTENTS

Letter of Introduction	1
Current New Hampshire Gaming Sectors	2
Granite State Lottery	3
Horse and Dog Racing	6
Recommendation #1	8
Recommendation #2.....	8
Recommendation #3.....	9
Charitable Gaming	9
Games of Chance.....	9
Recommendation #1 - Expedited	12
Recommendation #2 - Expedited	13
Recommendation #3 - Expedited	13
Recommendation #4 - Expedited	14
Recommendation #5.....	14
Recommendation #6 - Expedited	15
Recommendation #7	15
Recommendation #8.....	15
Recommendation #9.....	16
Recommendation #10.....	16
Recommendation #11.....	16
Recommendation #12.....	17
Recommendation #13 - Expedited	17
Bingo and Lucky 7.....	18
Recommendation #14	19
Recommendation #15	19
Redemption Slot Machines and Redemption Poker Machines	19
Recommendation #1 - Expedited	21
Recommendation #2	21
Recommendation #3.....	21
Recommendation #4	21
Recommendation #5.....	22
Sweepstakes.....	22
Recommendation #1.....	22
Recommendation #2	22
Regulatory Structure.....	23
Comparator States.....	23
Connecticut	26
Delaware.....	27
Maine	30
Maryland	33
Massachusetts	37
New Jersey	41
Nevada	44
Pennsylvania	48
Rhode Island	52

Introduction to Legislative Proposals	54
House Bill 678	54
House Bill 665.....	58
Senate Bill 152	64
Recommendation #1	65
Recommendation #2.....	65
Recommendation #3.....	65
Recommendation #4	66
Recommendation #5.....	67
Recommendation #6	68
Recommendation #7	68
Recommendation #8.....	68
Recommendation #9.....	69
Recommendation #10.....	70
Recommendation #11.....	75
Recommendation #12.....	75
Recommendation #13.....	75
Recommendation #14	75
Recommendation #15	76
Recommendation #16.....	76
Recommendation #17.....	76
Recommendation #18.....	78
Recommendation #19.....	79
Recommendation #20.....	79
Recommendation #21.....	79
Recommendation #22.....	79
Recommendation #23.....	80
Recommendation #24	80
Recommendation #25	81
Recommendation #26.....	81
Recommendation #27.....	83
Recommendation #28.....	83
Recommendation #29.....	83
Recommendation #30.....	83
Recommendation #31.....	83
Recommendation #32.....	84
Fiscal and Capacity Requirements.....	85
Approach.....	85
Market Analysis.....	86
Demographics.....	86
Competitive set.....	91
Comparator states.....	103
Financial Information.....	126
Application fees.....	126
Rates of taxation.....	126
Breakage.....	128
Pay table calculations.....	128
Capital investment.....	131
Tax exemptions.....	135
Financial projections.....	136
Miscellaneous.....	138
Central computer system.....	138
Host community.....	138
Cross-Reference SB Omnibus.....	139
Appendix A.....	143
Massachusetts status.....	143



October 28, 2013

Representative Richard Ames, Chairman
New Hampshire Gaming Regulatory Oversight Authority
Legislative Office Building
33 North State Street
Concord, New Hampshire 03301

Re: Report to the New Hampshire Gaming Regulatory Oversight Authority
Regarding a Comprehensive Approach to Existing and Expanded Gaming

Dear Chairman Ames,

Pursuant to a Request for Proposal ("RFP") dated August 20, 2013, the New Hampshire Gaming Regulatory Oversight Authority ("Authority") has retained WhiteSand Gaming LLC ("WhiteSand") to assist it in complying with its statutory mandate to provide the General Court with a report, by on or before December 15, 2013, containing "... recommendations regarding gaming policy, oversight, and regulations . . .". RSA 284-A:2, VII.

Deliverable #1 under the RFP requires an assessment of New Hampshire's current gaming sectors. Deliverable #2 requires an assessment of certain enumerated proposals considered in the 2013 Legislative Session relating to the authorization of video lottery machines or full scale casino gaming. It further requires an assessment of the capacity of New Hampshire to develop a commercial gaming sector.

As a key element of the engagement, WhiteSand was tasked by the Authority with identifying options and alternatives with regard to a regulating entity for a full scale commercial casino with an eye toward an organizational structure for that entity that is cost effective, consistent with industry best practices and capable of ensuring not only the integrity but the competitiveness of any commercial casino approved in New Hampshire.

Following is our report to the Authority. Again, we thank the Authority for selecting WhiteSand and we look forward to a long relationship as the state moves forward with this initiative.

Regards,

James W. Nickerson
Vice President

Given that the Authority's report will have a wide-reaching impact on a number of State agencies, an essential first step for WhiteSand was to convene the relevant stakeholders to understand their respective roles in the regulation of New Hampshire's existing gaming sectors and to examine with their input the functional components of a casino regulatory scheme - investigation, adjudication, rulemaking, audit and compliance, regulatory enforcement and criminal referral and enforcement. In a series of meetings, and in telephone and e-mail communications,

WhiteSand has had the opportunity to dialogue with, among others, Authority members Senator James Rausch, Representative Lucy Weber, Sgt. Patrick Cheetham and Kathleen Sullivan, Esq., Attorney General Joseph Foster and members of his senior staff, NH Department of Safety Commissioner John J. Barthelmes and Colonel Robert L. Quinn, NH Racing and Charitable Gaming Commissioner Timothy Connors, Director Paul Kelley and a member of his senior staff, Lottery Executive Director Charles McIntyre, Lucy Hodder, Esq and Christopher Kennedy of the Office of the Governor and you as Chair of the Authority. All were generous with their time and provided vital information and insights that have informed the analysis that follows.

CURRENT NEW HAMPSHIRE GAMING SECTORS

Among its many duties, the Authority is tasked with evaluating:

whether the current regulations and regulatory bodies for legal gaming in the state are adequate to operate in a manner that protects the public interest and allows the regulation of gaming to be conducted in an effective and efficient manner. RSA 284-A:2,I(a) .

To that end, the Authority included in the RFP an assessment of the ". . . strengths and weaknesses of current New Hampshire gaming laws . . .". RFP at page 6. To meet this requirement within the constraints of the scope and budget of the RFP, WhiteSand interviewed the Directors of the respective regulating agencies and surveyed each enabling statute and the rules and procedures promulgated thereunder. This process allowed us to derive a high level view of each gaming sector from two perspectives:

Public accountability - meaning does the sector appear to be serving the purposes intended by the Legislature; and

Suitability of the regulatory scheme - meaning is the sector regulated in a manner that is sufficiently comprehensive to provide a reasonable level of assurance as to the integrity of the gaming conducted. As an element of this analysis, WhiteSand examined the organizational structure of each regulating agency and attempted to assess whether each agency is appropriately funded and resourced to fulfill its regulatory mandate.

Legal gaming in the State of New Hampshire currently includes lottery, simulcast wagering and charitable gaming. For the purposes of this report, WhiteSand examined:

- The Granite State Lottery operated by the New Hampshire Lottery Commission pursuant to RSA 284:21-a et seq., *Lottery*;
- The gaming conducted under the oversight of the New Hampshire Racing and Charitable Gaming Commission, specifically:
 - Simulcast wagering conducted pursuant to RSA 284, *Horse and Dog Racing*;
 - Games of Chance conducted pursuant to RSA 287-D, *Games of Chance*;
 - Bingo and Lucky 7 conducted pursuant to RSA 287-E, *Bingo and Lucky 7*; and
- Two less formalized sectors: the redemption slot machines and redemption poker machines operated by family entertainment centers under an exception to the general prohibitions on gambling in RSA

647:2, V and the conduct of sweepstakes on a gambling machine prohibited by that same statute.

Our findings are as follows:

Granite State Lottery

History is replete with examples of the use of lotteries to generate revenue for public purposes. Benjamin Franklin was a proponent of the practice and lotteries were commonly used in Colonial times to finance public works such as streets and bridges. Many of the buildings on the campus of Dartmouth College were funded by a series of lottery drawings.

It took six tries over ten years, but New Hampshire Representative Larry Pickett finally gained enough support for his Sweepstakes Bill for it to pass and it was signed into law on April 30, 1963. With its adoption, New Hampshire initiated the first modern lottery in the United States. Pickett was convinced that a Sweepstakes was a viable and voluntary method of raising revenue for education and given what we now know, he was right. The first lottery tickets sold were tied to horse racing results as the program was modeled on the long-running Irish Sweepstakes. The connection to horse racing continued until the early 1970s.

RSA 284:21-a creates the New Hampshire State Lottery Commission ("Lottery") consisting of three members. Commissioners are appointed by the Governor with the advice and consent of the Executive Council and may be removed for cause by the Governor with the advice and consent of the Executive Council. Commissioners serve a three year staggered term and are subject to certain conflict criteria enumerated in the statute and a two year post-employment restriction. The Commissioners elect their own Chair and Secretary and are modestly compensated, they are presumably part time, although no terms of engagement are specified, and they are reimbursed for expenses.¹

RSA 284:21-i authorizes the Lottery to employ such technical assistants and employees as is required to fulfill the purposes of the chapter. Although there is no specific provision requiring an Executive Director, the Lottery appoints an Executive Director to administer and manage all aspects of Lottery operations including its contracts with technology providers. The Executive Director serves at the pleasure of the Lottery.

The Lottery exercises rulemaking authority under RSA 284:21-i including that related to the conduct of drawings, prizes and the operation and sale of instant tickets and games administered by the Multi-State Lottery Association and Tri- State Lottery.

Following standard practices in this sector, the Lottery does not employ as a prerequisite to doing business with Intralot (discussed below), or any of its other technology providers, a licensing process comparable to that routinely applied in the commercial gaming sector for a gaming licensee or technology provider. Rather, the Lottery employs a comprehensive request for proposal and contracting process to achieve its desired security and technical standards and to vet the provider for suitability to do business with the state, financial stability and business experience. As a result the Lottery does not require the amount of formal rulemaking typical for a regulating entity. Intralot, and other providers are routinely compensated by a direct share in lottery proceeds and regulatory enforcement takes the form of contract administration. By its very nature the Lottery is both an operator and a regulating entity. It operates the Lottery with its technology partners, it relies on them for much of the necessary staffing required to implement and oversee operations and it plays the dominant role in advertising and promoting the gaming product.

¹ Compensation approximates \$17,000 for the Chair and \$9,500 for a member.

The Lottery's website represents that revenue is allocated as follows.

62%	Prize Payouts
26%	New Hampshire Schools
6%	Retailer Commissions
3%	Other Costs of Sales ²
3%	Administrative Expenses

The Lottery enabling statute does not expressly provide for an allocation of lottery proceeds to problem gambling. Pursuant to RSA 284:21-v, however, the Lottery and the Department of Health and Human Services are mandated to collaborate on a program to withhold child support arrearages from any prize triggering W-2G reporting with the Internal Revenue Service.

It is noteworthy that a 2011 amendment to the Lottery enabling statute expressly prohibits the Lottery from authorizing the use of electronic gaming devices, including video slot machines and games on the Internet, without the specific authorization of the General Court. See RSA 284:21-h, VI.

The Lottery's primary technology provider is Intralot, a dominant provider of integrated gaming and transaction processing services in the lottery sector with over 5,500 employees operating in 55 jurisdictions on five continents. Intralot is certified according to the World Lottery Association's Security Control Standard and also holds an International Organization for Standardization 20000 Certification for Information Technology Service Management. Intralot is also certified as complying with Gaming Standards Association requirements including those related to Game to Game Message Protocol.

Following standard practices in the sector, Intralot not only supplies the necessary hardware and software comprising the online system to the Lottery but also provides the bulk of the technical personnel necessary to maintain and support the system's interoperability with over 1,200 retailer terminals, related peripherals and instant ticket vending machines. Because the Lottery is state owned and operated it also contracts with Intralot for the equipment, software, personnel and other services essential to develop and implement the customized marketing and promotional programs necessary to drive sales. The Lottery's current contract with Intralot runs through June 30, 2016.

The Intralot system generally:

- provides high-level system controls for user security, game draws, the creation and distribution of promotions and messaging in order to manage day-to-day operations;
- coordinates, controls, and monitors the life cycle of each retailer including a retailer's association with their terminals, clerks, and owners. The system also provides a complete audit trail of all retailer-related data changes and provides a secure, consolidated view of their lottery sales, inventory, and invoice reports;
- provides customized data to generate all types of relevant summary views, sales analytics, and trending;
- manages all aspects of instant games through each ticket's life cycle and monitors and controls all administrative, inventory, distribution, and validation functions relating to instant tickets; and
- validates both online and instant tickets during the claims process.

Intralot is also a leading supplier of instant ticket vending machines and other high-security vending products. It currently supplies vending machines to New Hampshire under a contract that expires June 30, 2016.

² Intralot receives 1.435% of net lottery sales for the term of its current contract.

Instant ticket vending machines are used by public lotteries to dispense instant winner lottery tickets primarily in retail locations such as supermarkets and convenience stores. The machines dispense instant lottery tickets without the assistance of an employee of the Lottery, instant ticket retailer or agent thereby permitting the retailer or agent to sell tickets without disrupting the normal duties of its employees. As is the case with lottery systems and related equipment, under its contract with the Lottery Intralot provide the personnel required to support and maintain these instant ticket vending machines.

Scientific Games Corporation, another leading supplier of instant tickets, systems and services to lotteries, supplies instant tickets and related services to the Lottery under a contract that expires June 30, 2015.

Griffin York & Krause, a New Hampshire based advertising agency, provides advertising and marketing advice and services to the Lottery under a contract that expires June 30, 2017.

The Lottery's games mix includes instant tickets and multi-jurisdictional games like Powerball.

Instant tickets range in complexity. The simplest are prize scratch cards that require a player to scratch off three (or more) areas hiding numbers, symbols, etc. If all the items revealed are the same, a prize has been won. More complicated instant tickets have several different ways to win on one card. Often instant tickets are adaptations of popular games such as blackjack, poker or Monopoly or are tied to popular themes such as Harley Davidson, Major League Baseball, NASCAR, the National Hockey League, Marvel Comics and FIFA World Cup.

Multi-jurisdictional games like Powerball are available through New Hampshire's membership in the Multi-State Lottery Association ("MUSL"), a non-profit, government-benefit association owned and operated by agreement of its 33 member lotteries. The MUSL facilitates the operation of many of the most famous multi-jurisdictional lottery games, including Hot Lotto, Mega Millions and Powerball. Formed in 1987, the MUSL provides a variety of services for lotteries, including game design, management of game finances, production and up-linking of drawings, the development of common minimum information technology and security standards and inspections of lottery vendor sites, coordination of common promotions and advertisements, coordination of public relations, emergency back-up drawing sites for lottery games and website related services.

MUSL provides these services to member lotteries at no cost, earning its income from non-game sources such as licensing. MUSL owns the patents and trademarks necessary to its operations, holding them for the benefit of its members. MUSL games operate under the same core game rules in each jurisdiction; however, each lottery is free to vary rules pertaining to such things as purchase age, the claim period, and some validation processes.

New Hampshire is also a member of the Tri-State Lottery with Maine and Vermont. Predating the MUSL, the Tri-State Lottery had its first initial drawing on September 14, 1985. By state compact five games are offered: Megabucks Plus (drawn Wednesdays and Saturdays), Pick 3 and Pick 4 (both have "day" and "night" drawings daily, including Sundays), Gimme 5 (drawn Mondays, Wednesdays, and Fridays) and Fast Play (terminal-generated "instant" tickets). Tri-State drawings are held in New Hampshire. These drawings use "classic" numbered balls and drawing machines, except for raffles.

Maine, New Hampshire, and Vermont currently do not offer a joint instant game but the members are working on a joint instant game similar to Midwest Millions, a MUSL-sponsored instant game in Iowa and Kansas.

New Hampshire and Vermont allow Tri-State subscription play. In New Hampshire, a prerequisite to subscription play is a New Hampshire address, residency is not required.

New Hampshire is a member of the North American Association of State and Provincial Lotteries (NASPL). Founded in 1971 as an informal exchange of information between three pioneering lottery directors, the NASPL now represents 52 lottery organizations. The mission of NASPL is to assemble and disseminate information related to lottery operations and the benefits to be derived from this sector through education and communication of its member lotteries and their staffs and technology providers. In addition, it publicly advocates the consensus position of the Association on matters of general policy. NASPL assists its members in identifying, adopting and implementing best practices and cost effective policies.

KEY FINDING: While the scope of the RFP did not permit a financial or operational review of the Lottery, WhiteSand's discussions with Executive Director McIntyre as well as a general overview of Lottery operations, including but not limited to a survey of the certifications held by, and the technical standards applied by, its technology providers, supports that the Lottery is serving the purposes intended by the Legislature. Likewise nothing in our overview suggested that the Lottery's regulatory scheme is operationally or organizationally deficient or that the Lottery is unable to ensure the integrity of the product it offers to the gaming public.

Horse and Dog Racing

New Hampshire has not had a live horse race meet since 2009. Its largest racetrack Rockingham Park has not had a thoroughbred meet since 2002. Live dog racing has been banned in New Hampshire since 2010. What remains active and available in New Hampshire is pari-mutuel wagering on the simultaneous telecast of live racing events and it is over this activity, among others, that the New Hampshire Racing and Charitable Gaming Commission ("Commission") exercises primary regulatory jurisdiction.

The Commission is established pursuant to RSA 284:6-a. The Governor, with the advice and consent of the Executive Council,³ appoints its six (6) members. Commissioners serve a three-year term and elect a Chairman from among the members. A Director, appointed by the Commission and serving at its pleasure, administers and supervises all aspects of Commission operations.

The State tax on simulcast wagering on thoroughbred and harness racing is well within industry norms at 1.25% of the total contributions to all pari-mutuel pools conducted, made or sold by a licensee on a simulcast race. The State tax on simulcast wagering on dog racing is 1.5% of the total contributions to all pari-mutuel pools conducted, made or sold by a licensee on a simulcast race. In addition a tax is paid on "outs" meaning revenue generated from unclaimed winnings.

The Commission exercises broad rulemaking authority under RSA 284:12 including rules relating to pari-mutuel pools authorized under RSA 284:22 and 22-a. Many of its rules incorporate by reference, or find their root requirements in, the Association of Racing Commissioners International Inc.'s ("ARCI") Model Rules of Racing and as such they draw upon best practices in the racing industry. Chapter Pari 200, *Rules of Practice* (adjudicative hearings and rulemaking), Chapter Pari 600, *Rules of Harness Racing* and Chapter Pari 700, *Use of Prohibited Substances and Practices in Horse Racing*, for example, directly incorporate the ARCI Model Rules with enumerated amendments specific to New Hampshire.

³ New Hampshire's tax on simulcast wagering is within industry norms. An Association of Racing Commissioners International, Inc. 2010 Statistical Summary cited an average effective tax rate for 2010 at 1.29%.

It is noteworthy that in a 2011 amendment to RSA 284, *Horse and Dog Racing* the Commission was subjected to the same prohibition imposed on the Lottery Commission in that same session, specifically a prohibition on rulemaking authorizing the use of electronic gaming devices, including video slot machines and games on the Internet, without the specific authorization of the General Court. See RSA 284:6-a, VI.

The Commission licenses all persons or entities and their respective qualifiers⁴ holding live meets or simulcasting horse or dog races at or for which pari-mutuels pools are sold. The qualification threshold applied is 10% or more of an ownership position. While the Commission's application process, its licensing criteria and the scope of the investigation conducted are arguably not as robust as those commonly applied to commercial casino operators or reflected in the Omnibus Version of SB 152 for casino license applicants, they are generally consistent with racing industry practices and they do include the key check and balance on agency discretion inherent in the conduct of a background investigation independent of the deciding authority. Under RSA 284:15-b, II and Chapter Pari 303, *Application Procedures for a Racetrack License*, the Attorney General conducts a background investigation on a license or renewal applicant and makes the suitability recommendation to the Commission. Under the express terms of RSA 284:15-b, II the Commission may not issue a license to a person or entity the Attorney General concludes is not fit to be associated with racing in New Hampshire.

Under its enabling statute, should live horse racing be revived in New Hampshire the Commission has jurisdiction over the:

licensing, supervising, disciplining, suspending, fining and barring from racing, on any tracks under the jurisdiction of the commission, of horses, owners, breeders, authorized agents, sub-agents, nominators, trainers, jockeys, jockey apprentices, jockey agents, and any other persons, organizations, associations, or corporations, the activities of whom affect the conduct and operation of running or harness horse races at racetracks under the jurisdiction of the commission. RSA 284:19

The Commission exercises overall regulatory enforcement authority over live meets or simulcast horse or dog races at or for which pari-mutuels pools are sold. Under RSA 284:13 it is empowered to "...regulate, supervise and check the making of pari-mutuel pools and distributions therefrom." and is further authorized to investigate ownership and control of a licensee. Appeal of a regulatory enforcement decision of the Commission is to the Superior Court.

KEY FINDING: While the scope of the RFP did not permit a financial or operational review of the Commission, WhiteSand's discussions with Commissioner Connors and Director Kelley as well as its survey of the Commission rules and procedures applicable to racing operations and pari-mutuels pools all support the general conclusion that simulcast racing is being conducted in the manner intended by the Legislature. Likewise, notwithstanding the recommendations that follow, nothing in our review suggested that the Commission's regulatory scheme is operationally or organizationally deficient or that the Commission is unable to reasonably ensure the integrity of the racing product offered to the gaming public.

⁴ Licensing best practices in the commercial casino industry generally provide that all persons or entities that have a legal, beneficial or equitable ownership interest in, or are otherwise able to manage or control, the person or entity applying for a license must "qualify" as part of the license application of the person or entity. Each jurisdiction is somewhat nuanced but typically the threshold in commercial casino gaming is a 5% ownership position (for example PA, NJ).

Recommendations for Horse and Dog Racing

The actual conduct of pari-mutuel wagering relies on a totalistator system ("tote") that in essence interfaces with wagering terminals to combine wagers into pools. The totes track pool totals throughout the wagering cycle of each race and record and display changes in betting patterns which are translated into recalculated pari-mutuel odds based on the proportion of the total amount wagered in the pool placed on a particular horse. Odds change throughout the wagering cycle and become final when the pool is closed immediately prior to the start of a race. Once the results of a race are official, the tote calculates the payoffs on all winning wagers and players are paid accordingly.

Recognizing that it is incumbent upon racing commissions to provide the public with a reasonable level of assurance that totalistator systems accurately calculate odds and payoffs, in 2011 the ARCI published, after years of study, Totalistator Technical Standards. See ARCI Totalistator Technical Standards, Version 1.01, amended July 2012. These technical standards are focused on the manufacturers of totalistator systems and related equipment and incorporate minimum design standards for hardware and software, physical and logical access controls, data transmission protocols and reporting, monitoring and data retention requirements all aimed at collectively ensuring the integrity of these systems. Following a testing and certification model that has been utilized with slot machines and slot management systems for over thirty years, the technical standards require manufacturers to provide racing regulators with documentation from an independent testing laboratory that the version of a totalistator system operating in their jurisdiction complies with the technical standards. As is the case with slot machines, the cost of compliance and testing is borne by the manufacturer.

Although slower than commercial casino gaming to recognize the impact of technology on the integrity of its gaming product, responsible racing jurisdictions are now studying the ARCI Technical Standards to ascertain, based on their individual racing environment, demographics and risk tolerance, the desirability, feasibility and cost of incorporating the Technical Standards into their overall regulatory scheme. At present reputable tote manufacturers typically contract for periodic independent SAS 70 Audits⁵ and our understanding is that the Commission receives this Audit from its current totalistator company Amtote and that no adverse reports have been received to date. While the SAS 70 Audit has value it does not provide a level of assurance comparable to compliance with the racing industry specific Technical Standards.

Recommendation #1: The Authority should consider incorporating into its report to the Legislature a recommendation that the Commission's rules be amended to require submission of an Annual SAS 70 Audit, a SSAE No. 16 Attestation or functional equivalent, as appropriate.

Recommendation #2: The Authority should consider incorporating into its report to the Legislature a recommendation that the Commission be tasked with examining the ARCI's Technical Standards and preparing a report examining the desirability, feasibility and cost of incorporating the technical standards into New Hampshire's overall regulatory scheme. The Authority should further recommend that this examination and report be meaningfully and realistically funded due to the technical sophistication of the subject matter.

⁵ Statement on Auditing Standards (SAS) No. 70, *Service Organizations*, is an auditing standard developed by the American Institute of Certified Public Accountants. It is applicable to manufacturers of totalistator systems as these systems host or process data for a client racetrack. The focus of the SAS 70 Audit is to establish the adequacy of the internal controls over the client's data. Effective June 15, 2011 an attestation under Statement on Standards for Attestation Engagements ("SSAE") No. 16 is in some instances being substituted for a SAS 70 Audit. The Commission should discuss any contemplated rulemaking with its totalistator company and tailor its rulemaking to reflect the most current standard of review.

Recommendation #3: As the tax due on simulcast operations is calculated based on the data produced by the tote system, the Authority should consider incorporating into its report to the Legislature a recommendation that the Commission take steps to formalize via rulemaking the procedures and controls associated with the sale of pari-mutuel pools and the Commission's validation of daily tote reports.

Charitable Gaming

Charitable gaming in recent years has been thrust into a prominent role as a fundraising mechanism for many charities nationwide. Much of the growth [in the sector] has occurred as a result of economic conditions during the 1970's and 1980's which caused a decrease in federal and state funding available for charities as well as a decline in private contributions. Seeking other funding sources, charities tapped into a growing national demand for gaming activities. In a relatively short period of time, charitable gaming evolved from the Friday night bingo game in the church basement to a multi-billion dollar enterprise. With this growth came a need for more effective regulation.

Introduction, *Model State Charitable Gaming Act*, National Council of Legislators from Gaming States ("NCLGS Model Act.").

According to the American Gaming Association , although some form of charitable gaming is legal in all but five (5) states, charitable gaming is the least regulated form of gambling the United States. See *US Commercial Casino Industry Facts at Your Fingertips*, AGA, 2009.

The Racing and Charitable Gaming Commission ("Commission") exercises oversight authority over the forms of charitable gaming authorized in New Hampshire: games of chance, bingo and the sale of Lucky 7 tickets. Interestingly, under RSA 287-D:1-a the Commission's administration and enforcement efforts are " . . . with the assistance of the attorney general and the chief of police . . ." only for games of chance. This same provision is not applied to bingo or Lucky 7. See RSA 287-E:2,16. Both RSA 287-D:1, III and RSA 287-E:1, V have similar but not identical definitions of a charitable organization. The difference in terminology is not material and largely relates to veterans and fraternal organizations and the sale of Lucky 7 tickets.

Games of Chance

Games of chance are broadly defined as ". . .any game involving gambling as defined by RSA 647:2, II, or any lottery prohibited by RSA 647:1, but shall not include any game involving the use of a slot machine or any other device in the nature of a slot machine, 50/50 raffles as defined in RSA 287-A:1, III, or ice-out contests as defined in RSA 287-D:1, IV. " RSA 287-D:1, II.

This definition has been interpreted to permit a full array of table games under the rubric of charitable gaming including, but not limited to, roulette, blackjack and poker. Play at these tables is subject to numerous rules that might at first glance support the assertion that the amount at risk is de minimus in nature including:

- No single wager may exceed \$4.00. See RSA 287-D:3, V.

- Where chips have no monetary value, a licensed charitable organization may offer any number of tables at a licensed event provided each player is limited to \$150 per game including buy-ins and re-buys. RSA 287-D:2-b, XI.⁶
- A licensed charitable organization may offer one game per licensed event where each player may spend up to \$250 per game including buy-ins and re-buys. See RSA 287-D:2-b, XII.
- Where chips have no monetary value, the payback in prizes may not exceed 80% of the total amount collected from players. See RSA 287-D:2-b, XIV.

In practice, the amounts at risk are not de minimus. Conspicuously, RSA 287-D does not define "game" it appears, however, to infer a type of table i.e. blackjack, roulette, poker. Without question, in practice the provision is not interpreted to cap a player's total cash outlay for the entire gaming session at \$150 or \$250. Likewise, RSA 287-D includes a definition of wager that is generally synonymous with bet and is not explicitly tied to a single outcome. In practice, the \$4.00 per wager limitation would not preclude a player from betting \$148 on a single spin of the roulette wheel [\$4.00 on 37 of the colored and numbered pockets on the roulette wheel (American double zero roulette has 38 pockets)].

Statistics appended to the above referenced NCLGS Model Act suggest that while bingo, raffles and pull-tabs are relatively common forms of charitable gaming, the number of casino nights with table games permitted for a charitable organization per year in New Hampshire at 10 per year exceeds the average in those states that allow casino nights.⁷ See Table 8, Casino Night Restrictions, NCLGS Model Act.⁸

Games of chance may be operated by individuals who are, or are associated with, bona fide members of the charitable organization pursuant to RSA 287-D:2-b, I or may be operated by a licensed game operator employer or licensed primary game operator provided there exists a written agreement between the operator and the charitable organization.⁹ Where a charity elects to use a licensed game operator employer or licensed primary game operator, a representative of the charitable organization need only be present at a licensed event once per event day for an unspecified period of time.

⁶ Per Pari 1202.12 a re-buy means the fee paid by a player to purchase additional chips.

⁷ RSA 287-D:2-d, I permits a charitable organization one license per year authorizing games of chance for 10 days, which 10 days need not be consecutive.

⁸ A commentary to Table 8 in the NCLGS Model rules highlights the variety of approaches to "casino night" charitable gaming but supports the conclusion that the number of nights allocated per charity in New Hampshire is high. The Commentary reads as follows: 'Nine (9) states and D.C. provide some statutory regulation of "casino nights" (Table 8). None of these states allow play with cash. Two have prize limits; \$25,000 per event in Indiana, \$250 per person in Illinois. In Connecticut, players may play for merchandise only. **All ten (10) jurisdictions restrict the number of events a charitable organization may have per year, ranging from one (1) a year in Montana to twelve (12) a year in New York.** Four (4) states regulate the length of a session ranging from six (6) hours to twenty-four (24) hours. In Indiana, the length may vary but must be stated on the application. Six (6) states require persons to be eighteen (18) or older to play.'

⁹ The following definitions are found in RSA 287-D:1,V and V-a;

(a) "Primary game operator" which means any consultant or any person other than a bona fide member of the charitable organization, involved in conducting, managing, supervising, directing, or running the games of chance; or

(b) "Secondary game operator" which means any person other than a bona fide member of the charitable organization, involved in dealing, running a roulette wheel, handling chips, or providing accounting services or security functions.

(c) "Game operator employer" means a primary game operator or a business entity who employs, supervises, and controls game operators and who is hired by a charitable organization to operate games of chance on its behalf. The owner of 10 percent or more of the entity, partner, managing member, or chief executive of a business entity who serves as a game operator employer must be licensed as a primary game operator.

Commission Director Paul Kelley reports that the vast majority of charitable organizations utilize a game operator employer or primary game operator to conduct their games of chance. For games played with chips of no monetary value, 3% of all funds collected from players is remitted to the state. For games played with chips having monetary value, 10% of the rake or house winnings and other money collected by the game operator not paid out as prizes to players is remitted to the state.¹⁰ Allocations to charitable organizations are examined below at page 16.

The Commission is responsible for licensing charitable organizations, persons or entities leasing or renting facilities to charitable organizations for the purposes of conducting games of chance five (5) or more days per calendar year, game operator employers and their respective qualifiers (subject to a qualification threshold of 10%)¹¹, primary game operators and secondary game operators. Under RSA 287-D, the Commission's license application processes for games of chance game operator employers and primary game operators are not comparable to that applied to racing simulcast licensees and certainly not comparable to what has been proposed in New Hampshire for casino operators.

KEY FINDING : Under the relevant statute, the Commission is not required to employ the key check and balance on agency discretion inherent in the conduct of a background investigation independent of the deciding authority. Under RSA 287-D:8 the Division of State Police performs the criminal history check for all licenses and transmits the results to the Commission but does not make a formal suitability recommendation on an applicant. Under the express terms of RSA 287-D:8, II, the determination as to eligibility and suitability are within the exclusive jurisdiction of the Commission subject to certain limited provisions in RSA 287-D:2-a, V that generally preclude participation in games of chance in the event of a felony or class A misdemeanor conviction within the previous 10 years which has not been annulled by a court or a class B misdemeanor conviction within the previous 5 years that has not been annulled by a court.

As is the case with racing, the Commission is granted rulemaking authority under RSA 284-D:1-b including, but not limited to, that related to licensing, background and criminal records checks, the operation of authorized games and accounting controls.

KEY FINDING: Although the Commission has taken steps to fully implement the statute through rulemaking it has not as yet completed the task, especially as it relates to regulation of games of chance. As an interim step it has issued recommended best practices to provide guidance to its licensees but in the absence of rulemaking is not positioned to enforce its recommended practices.

RSA 287-D:6 enumerates regulatory and criminal penalties for violation of the statute and delegates regulatory enforcement authority to the Commission. Its audit and compliance staffs perform compliance testing and investigate regulatory violations. A matter may be resolved administratively by a corrective action plan, warning letter or other form of agreement through a tiered violation scheme (minor, moderate, major). Where it determines it to be warranted, the Commission may suspend or revoke a license and may impose fines. Rehearing and appeals are governed by RSA 541. Criminal enforcement is the responsibility of the attorney general and/or the chief of police of any city or town where games of chance are held.

¹⁰ Generally speaking, a "rake" is the casino's take for conducting the game. Most commonly it involves a percentage of the pot taken by the house during each hand, but it can also be assessed based on a amount of time a player is at the table for example, per half-hour.

¹¹ Licensing best practices in the commercial casino industry generally provide that all persons or entities that have a legal, beneficial or equitable ownership interest in, or are otherwise able to manage or control, the person or entity applying for a license must "qualify" as part of the license application of the person or entity. Each jurisdiction is somewhat nuanced but typically the threshold in commercial casino gaming is a 5% ownership position (for example PA, NJ).

KEY FINDING : While the scope of the RFP did not permit a financial or operational review of the Commission, WhiteSand's discussions with Commissioner Connors and Director Kelley, its survey of the Commission rules and procedures applicable to games of chance and a site visit to a licensed facility all suggest that charitable gaming in the form of games of chance, and the type of facility that is actually operated under this authority, may not be well understood by stakeholders outside the Commission.

KEY FINDING: As a result, meaningful compliance efforts are thwarted by limitations in the statute and regulations and it appears the Commission may not be funded or otherwise resourced to attract, train and retain personnel with the expertise required to complete the necessary rulemaking or equipped with other tools and resources necessary to adequately oversee this sector.

KEY FINDING: Although the concerns and recommendations that follow warrant serious consideration, nothing in our review suggested that the Commission's organizational structure is deficient or that it is not optimizing the resources allocated to it.

Short Term Concerns and Recommendations

In its report to the Legislature the Authority is urged to recommend immediate action with regard to the statutory amendments or concern denoted as "expedited" and to recommend consideration in the normal course of the remainder.

1. KEY FINDINGS: Conduct of Games of Chance

a. Part Pari 1209, *Games of Chance House Rules* requires the charitable organization or the game operator to adopt "House Rules" describing how each game of chance offered is conducted, played and won. While the rule identifies topics, for example, buy-in and re-buy it provides no guidance as to acceptable practices and the Commission has no expressed authority to disapprove a House Rule.

b. Part Pari 1210, *Operation of Games of Chance* authorizes the Commission to review and approve procedures associated with the actual conduct of a game, for example, the payouts and odds for each wager in a card game but it is not sufficiently developed to provide guidance as to what is expected. On a site visit it was observed that the game operator employer did not outfit a blackjack table with a card dealing shoe - the cards were dealt from the hand of the dealer - a practice that is not permissible in many regulated jurisdictions. It was also observed that chip sales and other accounting controls were rudimentary at best and completely manual - no inventory or win/loss data appeared to be maintained on computer.

Recommendation #1 - Expedited: In practice, a substantial amount of money is wagered at these tables, notwithstanding a \$4.00 single maximum wager and other per game limits, and the gaming public at these tables is entitled to the same level of integrity and consumer protection required of a commercial casino operator. These games should be conducted in accordance with procedures and controls that emulate, or are directly derived from, best practices in commercial gaming. Although Part Pari 1209 and 1210 generally address the bulk of the operational considerations they are not sufficiently detailed to require licensees to implement and adhere to best practices. As a result, any standardization of practices or regulatory enforcement is frustrated. **The Authority should consider incorporating into its report to the Legislature a recommendation that the Commission undertake expedited rulemaking to amplify the following sections of its regulations.**

- a. Require house rules to be subject to Commission approval in order to ensure that the games are conducted in a manner the complies with standard practice for that game, for example, the handling of an insurance side bet in blackjack;
- b. Impose minimum internal control standards over all money handling functions including counting and cashiering and specific storage and inventory controls over all forms of gaming equipment;
- c. Impose minimum staffing and supervision requirements that correlate to the number of tables in operation; and
- d. Add a requirement that a game operator employer staff a security function. This function is essential to overall public safety.

2. ***KEY FINDINGS: Gaming Operator Employers and Primary Service Operators***

- a. RSA 287-D does not include the key check and balance on agency discretion inherent in the conduct of a background investigation independent of the deciding authority.
- b. Although nothing in the statute or the regulations precludes the Commission from requesting and reviewing the service agreement between a charitable organization and a game operation employer or primary game operator, it is notable that no provision requires the agreement to be submitted by the charitable organization or game operator employer applicant. This approach is contrary to the approach in RSA 287-D:3, VIII that requires a facility rental agreement to be submitted as an element of a license application.
- c. A recent amendment to RSA 287-D:5, VI extends the Commission's ability to audit, review or inspect any and all financial records, books, documentation and bank accounts in the name of a charitable organization but reaffirmed that this authorization applies only to financial records, books, documentation and bank accounts that "*pertain to games of chance*".

Recommendation #2 - Expedited

For a multiplicity of reasons including the size of this sector, the revenue generated by it and its current level of operational oversight, in its report to the Legislature the Authority should consider recommending that RSA 287-D be revised to mirror racing and require the Attorney General to conduct a background investigation on, at a minimum, a gaming operator employer or primary gaming operator and to expressly provide that the Commission may not issue a license to a person or entity the Attorney General concludes is not fit to be associated with games of chance in New Hampshire.

Recommendation #3 - Expedited

A firm understanding of the duties, responsibilities and liabilities between charitable organizations and game operators is integral to meaningful oversight of games of chance and a comprehensive review of the agreement, and audits and compliance testing related thereto, are essential to ascertaining compliance with the 35% requirement in RSA 287-D:3, VIII (discussed with specificity below). In its report to the Legislature the Authority should consider recommending that RSA 287-D and its

regulations be amended to eliminate any inference that the Commission may not review the agreement. It should further consider recommending that the Commission be granted explicit authority to approve the agreement or, in the alternative, that the Legislature propose statutory amendments providing significantly more guidance as to the content of these agreements.

Recommendation #4 - Expedited

While it is uncontroverted that especially for a large organization there are many records that are not relevant to the regulatory process, the absence of a definition in RSA 287-D:5, VI that specifies what documents do pertain to games of chance will likely continue to materially frustrate the ability of the Commission to meaningfully perform the compliance testing it is tasked with. In its report to the Legislature the Authority should consider recommending that this provision be revisited with an eye toward better scoping and defining regulatory expectations.

Recommendation #5

In its report to the Legislature the Authority should consider recommending that the Commission explore the efficacy of a disclosure requirement aimed at ascertaining the level of independence between a gaming operator employer and a selected charitable organization. Given that there are more charities that want to participate in this form of fundraising than there is capacity to participate these relationships are relevant.

3. *KEY FINDINGS: Facility Rental Agreements*

- a. RSA 287-D:3, VII identifies criteria for two forms of facility rental agreement.
 - (i) Where the facility is not rented from a game operator employer or primary game operator the contract must be in the form of a fixed rental payment reflecting the fair market value of the facility and may not be based on a percentage of what the charity receives from games of chance.
 - (ii) Where the facility is rented from a game operator employer or primary game operator the statute is silent on terms relating to the rental of the facility and in lieu of that specificity essentially provides that after the cost of the service or employment contract with the game operator employer or primary game operator and the facility rental agreement, the charitable organization must: " . . . retain no less than 35% of the gross revenues from any games of chance minus any prizes paid in accordance with RSA 287-D:3, VIII."

Notwithstanding the protections in RSA 287-D:3, VII and VIII on the retention of 35% of gross revenue, the statute allows additional "fees" to be assessed by a game operator employer or primary game operator provided it is agreed to in writing by the charitable organization and disclosed to the Commission.

- b. RSA 287-D:3, VII further provides that under either scenario the facility rental agreement must be submitted to the Commission with the charitable organization's license application but grants no specific approval authority to the Commission over the terms of a facility rental agreement.

Recommendation #6 - Expedited

Charitable organizations have little negotiating clout with game operator employers, left unchecked RSA 287-D:3's fee provision completely undercuts the 35 percent requirement. It is consistent with the regulatory approach to prohibit additional fees or to set reasonable limitations on fees (well beyond what is specified in the current regulation) where a game operator is involved in order to protect the spirit and intent of the 35% minimum. The Commission has in recent years been unsuccessful in advancing legislative proposals aimed at eliminating or controlling the ability of fees to undercut the 35% minimum. The Authority should consider including in its report to the Legislature a recommendation that the fee related proposals previously advanced by the Commission be re-examined.

Recommendation #7

Where gaming operations take place in facilities that are not owned by the licensed operator it is a regulatory best practice to review and approve lease terms to establish that the relationship between the parties does not create an ownership interest triggering a qualification requirement. It is recommended that the Authority consider including in its report to the Legislature a recommendation that the statute be amended to require Commission review and approval of a facility agreement.

4. *KEY FINDINGS: Surveillance*

- a. RSA 287-D:2-e, I (a) addresses surveillance. Although the facility license and the game operator employer license are separate licenses, the statute mandates that the game operator employer provide surveillance coverage of games of chance at his expense. RSA 287-D:2-e, I. This requirement essentially assumes that the facility licensee and the game operator employer are the same or affiliated. As constructed, the statute infers that there is no surveillance coverage requirement where a game operator employer is not involved.
- b. RSA 287-D:2-e, I(a) allows a game operator employer authorized to conduct fewer than 50 calendar days at a particular location to substitute alternative controls for surveillance with Commission approval. The statute is silent as to permissible alternative procedures other than to specify they are at the game operator employer's expense.
- c. RSA 287-D:2-e, I(d) requires a gaming operator employer to staff a surveillance function with at least one trained person with knowledge of the equipment, games and regulations.

Recommendation #8

In its report to the Legislature the Authority should recommend reexamination of all three cited provisions along with other aspects of the chapter dealing with frames per second, recording retention, authentication of recordings and related provisions. The need for surveillance coverage, and surveillance minimum staffing, should be scaled to the size of the operation, specifically the number of tables potentially at play and should not be tied to who operates the licensed event or how often that person performs the service. Operators should be required by regulation to employ a scaled minimum staffing plan based on activity levels at its tables. The surveillance function should be independent of all other functions. A person cannot simultaneously man a surveillance function and sell gaming chips as was observed on a site visit.

Recommendation #9

Stakeholders should be cognizant of the fact that for a table game operation there is likely no substitute control for surveillance other than security personnel trained to the satisfaction of the Commission in its rules and procedures as well as the house rules. The Commission reports that this exception based on fewer than 50 calendar days has not been exercised to date. In its report to the Legislature the Authority should consider recommending that the exception be eliminated or that rulemaking be undertaken to provide guidance as to an acceptable substitute for the surveillance requirement.

5. *KEY FINDINGS: Gaming Equipment*

- a. RSA 287-D:3, I requires a person that is a dealer in, or rents, gaming equipment for use in conducting games of chance to have a principal place of business in New Hampshire and to register to do business with its Secretary of State. It does not require any type of licensing or registration of such persons with the Commission.
- b. RSA 287-D:3, VI provides that "Any contract for the rental of a facility for a game of chance shall be independent of any contract for the rental of equipment. Those contracts shall not be contingent upon the charitable organization's agreement that it will contract with a particular business for a particular facility or equipment."

Recommendation #10

In its report to the legislature the Authority should consider recommending, at a minimum, that RSA 287-D be revised to impose a registration requirement that includes a criminal history check for a dealer in gaming equipment. In a commercial casino context sale of many of these products triggers the need for a gaming related casino service industry license.

Recommendation #11

RSA 287-D:3, VI is ambiguous at best. It fails to define independent and infers that the rental of equipment is outside of the 35% minimum discussed above. The Authority should consider recommending rulemaking to clarify regulatory expectations with regard to both fees and equipment rentals.

Long Term Recommendations

It is commonly agreed that the vast majority of jurisdictions that permit charitable gaming could significantly improve their commitment to politically independent, meaningful regulation of this sector. The fact that the NCLGS took up the issue and proposed the NCLGA Model Act in the late 1990's speaks volumes as to the pervasive nature of the difficulties associated with any attempt at meaningfully regulating such a long-standing exception.

Many states that have successfully moved into commercial gaming and regulate it well still grapple with the charitable gaming sector. A General Assembly Gaming Oversight Committee in Maryland just this past summer took up the issue of "inconsistent and confusing local laws" more than four years after commercial gaming was approved by referendum.

Arguably, moving forward in the process of designing and implementing a regulatory scheme for a commercial casino operation would provide a template for regulating games of chance that does not currently exist. The operational regulations that would be developed regarding the operation of table games involving accounting internal controls, gaming equipment specifications and controls, rules of the games, security and surveillance would all be readily adaptable to games of chance. Potentially, an enabling statute could provide a funding source for this effort.

Recommendation #12

In its report to the Legislature the Authority is advised to consider recommending initiation of a comprehensive analysis of games of chance to determine whether the continued existence of this type of charitable gaming is in the best interest of the citizens of New Hampshire.

This analysis should assess:

- revenue impact on all stakeholders (the state, charitable organizations, facility owners, game operator employers, primary game operators, secondary game operators and equipment dealers);
- current oversight and enforcement costs;
- projected oversight and enforcement costs should they be improved as recommended;
- the impact of growth in this sector on the ability of New Hampshire to develop the type of commercial casino contemplated by the Omnibus Version of SB 152 and competing proposals;
- alternative funding mechanisms for charitable organizations;
- the role of game operator employers and primary game operator; and ¹²
- the prospect of limiting the growth or phasing out this sector.

Recommendation #13 - Expedited.

In its report to the Legislature, the Authority should consider recommending that any analysis of games

¹² The NCLGS Model Act represents an attempt by member legislators, with the assistance of the Kentucky Legislative Research Commission, to cobble together best practices, options and alternatives for meaningfully regulating charitable gaming in a manner that is readily adaptable to accommodate each state's political environment and other externalities. It is notable that the NCLGS Model Act expressly prohibits the concept of a game operator employer or primary game operator reading in pertinent part:

"No licensed charitable organization shall contract with, or otherwise utilize the services of, any management company, service company, or consultant in managing or conducting any aspect of charitable gaming". Section 12(7), NCLGS Model Act.

No owner, officer, employee, or contractee of a licensed charitable gaming facility or an affiliate, or any member of the immediate family of any officer, employee, or contractee of a licensed charitable gaming facility or an affiliate shall, concerning a lessee:

- a) Manage or otherwise be involved in the conduct of charitable gaming;
- b) Provide bookkeeping or other accounting services related to the conduct of charitable gaming;
- c) Handle any moneys generated in the conduct of charitable gaming;
- d) Advise a licensed charitable organization on the expenditure of net receipts;
- e) Provide transportation services in any manner to patrons of a charitable gaming activity;
- f) Provide advertisement or marketing services in any manner to a licensed charitable organization;
- g) Provide, coordinate, or solicit the services of personnel or volunteers in any manner;
- h) Influence or require a licensed charitable organization to use a certain distributor or any particular gaming supplies; or
- i) Donate or give any prize to be awarded in the conduct of charitable gaming.

Section 1, NCLGS Model Act.

of chance be independent of, and at best run concurrent with, any analysis of expanded gaming. In specific, the Authority is urged to recommend against linking any commercial casino proposal to the on site availability of games of chance. Given the substantial influence of this sector and the dependence of charitable organizations on this revenue, resolution of the myriad of issues associated with games of chance will require time, education and hard policy choices as to what should be expected from this sector going forward. Games of chance have evolved over time and the issues associated with them are complex. It is unreasonable to burden any legislative proposal to expand into commercial gaming with the remediation of this sector.

Bingo and Lucky 7

Under RSA 287-E the Commission is responsible for licensing the following persons and organizations:

Bingo: charitable organizations, agricultural fairs, private campgrounds and hotels, distributors and manufacturers of bingo supplies and equipment and commercial halls who rent or lease halls to charitable organizations.

Lucky 7: charitable organizations and distributors and manufacturers of Lucky 7 tickets, dispensing equipment and related equipment.

Unlike games of chance, a prerequisite to a bingo or Lucky 7 license is a local referendum authorizing the play of any game permissible under RSA 287-E. See RSA 287-E:27.

As is the case with racing and games of chance, the Commission is granted rulemaking authority under RSA 284-E:3 and RSA 284-E:18 including, but not limited to, that related to licensing, the operation of the game of bingo, the sale of Lucky 7 tickets and accounting controls. The Commission's rules for bingo and Lucky 7 are more detailed than is the case with games of chance and generally reflect standard practices and requirements.

RSA 287-E:14 addresses the Commission's regulatory enforcement authority for bingo and is focused exclusively on suspension or revocation of a license. It includes no authority to impose fines. RSA 287-E:25 addresses the Commission's regulatory enforcement authority over Lucky 7 ticket sales and is focused exclusively on revocation of a license. RSA 287-E:29 contains a misdemeanor provision related to unlawful Lucky 7 ticket sales.

KEY FINDING: While the scope of the RFP did not permit a financial or operational review of the Commission, WhiteSand's discussions with Commissioner Connors and Director Kelley, its survey of the Commission rules and procedures applicable to bingo and Lucky 7 and a site visit to a license facility suggest that while the overall regulatory approach provides a reasonable level of assurance as to the integrity of bingo and Lucky 7 the type of bingo facility that is actually operated under this authority may not be well understood by stakeholders outside the Commission. Although the concerns and recommendations that follow warrant consideration, nothing in our review suggested that the Commission's organizational structure is deficient or that it is not optimizing the resources allocated to it.

KEY FINDING: Unlike games of chance, there is no requirement for a bingo or Lucky 7 licensee to undergo a background and criminal records check. See RSA 287-D:8 as to games of chance.

KEY FINDING: RSA 287-E:7, II(b) reads in pertinent part:

No compensation shall be paid to any person or entity for **consulting, managing, assisting in the operation of the bingo games or the sale of lucky 7 tickets, record keeping, filing forms with the racing and charitable gaming commission, advertising,** free offer of coffee and donuts to customers, or **security protection for the charitable organization itself** not including security for the hall or parking area, **unless agreed to in advance in writing by the charitable organization.** Participation in and charges for such activities shall be solely at the discretion of the charitable organization. Failure to participate in any of these activities shall not constitute grounds for expulsion from any hall where bingo games are held or lucky 7 tickets are sold.

Recommendation #14

The Authority should consider recommending that the statute be revised to require that a background and criminal records check be performed, at a minimum, for private campgrounds and hotels, distributors and manufacturers of bingo supplies and equipment, commercial halls who rent or lease halls to charitable organizations and distributors and manufacturers of Lucky 7 tickets, dispensing equipment and related equipment.

Recommendation #15

RSA 287-E:7, II(b) acknowledges a category of service provider that is not contemplated by the licensing scheme for either bingo or Lucky 7. Servicers offering consulting, management and assistance are akin to game operator employers and primary game operators and the Authority should consider recommending that the statute be amended to require licensing of these persons to the same standard.

Redemption Slot Machines and Redemption Poker Machines

Any appraisal of existing gaming sectors in New Hampshire must include an examination of the redemption slot machines and redemption poker machines found throughout the State in family entertainment centers. This sector was subjected by WhiteSand to the same two prong analysis as the aforementioned formalized gaming sectors meaning, as to public accountability, are the games licensed and/or offered to the public under the redemption slot machine and redemption poker machine exception operated in compliance with the limitations articulated in RSA 647:2, including the merchandise only limitations detailed therein and, as to integrity, does the regulatory scheme to which they are subject provide a reasonable level of assurance as to their fairness and compliance with all applicable conditions and limitations.

RSA 647:2 defines criminal penalties for gambling including the possession of gambling machines subject to certain enumerated exemptions. One of the exemptions carved out in the chapter is for "family entertainment centers" defined as a:

Place of business having at least 50 games or devices designed and manufactured only for bona fide amusement purposes on premises which are operated for the entertainment of the general public and tourists as a bona fide entertainment facility and not having more than 15% of the total games or machines being redemption slot machines or redemption poker machines. RSA 647:2, II(c).

RSA 647:2 defines a "redemption slot machine" or "redemption poker machine" as:

Any device or equipment which operates by means of the insertion of a coin or token and which may entitle the person playing or operating the game or machine the opportunity of additional chances or free plays or to receive points or coupons which may be exchanged for merchandise only, excluding cash and alcoholic beverages, provided the value for such points or coupons does not exceed 2 1/2 cents for each credit on the game or machine. RSA 647:2, II(f).

While not legally dispositive, the redemption slot machines and redemption poker machines routinely available in New Hampshire physically resemble slot machines and the creative payment methodologies employed to arguably circumvent the prohibition on cash payments from these machines contributes to that illusion. They are often integrated into facilities that also house games of chance, bingo and Lucky 7. Unlike the latter, however, the availability of redemption slot machines and redemption poker machines is not tied to any charitable purpose or organization and the Racing and Charitable Gaming Commission ("Commission") has no expressed authority to regulate this sector or to enforce the provisions of RSA 647:2. Per the statute, "a[A]ny violation of this chapter may be enjoined by the superior court, upon petition of the attorney general, county attorney, or the police chief within the jurisdiction in which the violation is alleged to have occurred." RSA 647:2, VI. At least in Manchester, these machines are assessed a fee at the local level, purportedly \$2,000 per machine per year under a Manchester ordinance, and enforcement authority rests with applicable local law enforcement.

Any public accountability assessment of redemption slot machines and redemption poker machines is frustrated by the fact that the legislative intent behind RSA 647's exception for these machines is not obvious. How far the Legislature intended to allow operators to go beyond the plush toy merchandise prizes traditionally associated with "family" entertainment is uncertain. Was the payment mechanism of choice for many operators of these machines - the Visa debit card - envisioned? Was the practice of an operator converting points into merchandise via an Internet purchase contemplated? ¹³ What happens if this merchandise is subsequently returned by the player for a cash refund? There are no clear answers. What is apparent, however, is that RSA 647:2 lacks clarity, has inconsistencies and, as a corollary enforcement limitations, all of which compel the need for further clarification of the terms and conditions of the exemption and which favor a state wide, uniform compliance approach.

KEY FINDINGS

a. RSA 647 *et seq.* does not define cash or reference a statutory definition of cash. Generally, cash is held to mean currency or coin. NJAC 13:69D-1.1. The use of the term cash is conspicuous in the chapter as it was amended, as late as 2012 [HB 1260], to expressly reference in the definition of gambling machine cash equivalents, debit cards and merchandise credit cards. ¹⁴ The statute must be clarified to squarely address the Legislature's position with regard to payments in cash equivalents and to incorporate uniform, defined terms throughout.

b. Although RSA 647:2, II(c) limits redemption slot machines and redemption poker machines to 15% of the total games or machines in a family entertainment center it fails to define what type of machine may

¹³ See *N. H. already has slot machines - and lots of them*. New Hampshire Business Review, May 17, 2013 which reads in pertinent part: "When Room 647 [Belmont] reopened it did so without awarding the Visa cards. Instead, winners are able to trade in their winnings for merchandise. But it isn't for candy or pencils or similar arcade prizes that are given away. Slots players can use their winnings for any merchandise they can find on the Internet. The casino then orders the merchandise for the player."

¹⁴ A gambling machine is defined as " . . . any device or equipment which is capable of being used to play sweepstakes or games of chance and which discharges money, or anything that may be exchanged for money, cash equivalent, debit card, merchandise credit card, or opportunities to enter sweepstakes or play games of chance, or displays any symbol entitling a person to receive such a prize. RSA 647:2, II(e).

be included in the 15% calculation. Must the game be in service? Does a hand held device qualify for consideration in the count? Again, clarity is required.

c. RSA 647:2 neither incorporates nor references technical standards applicable to redemption slot machines and redemption poker machines including, but not limited to, procedures and controls to preclude or detect conversion of a redemption machine to a device meeting the chapter's definition of a gambling machine, minimum design standards relating to payout percentage or randomness, metering, accounting and inventory controls or requirements covering physical or logical access to these machines or any related servers or systems.

d. RSA 647:2 neither incorporates nor references testing or manufacturer certificate requirements to confirm for the authorizing entity that the machine is configured to operate as represented meaning that it complies with the rudimentary requirement that it award no more than 2 1/2 cents per credit.

e. Apparently relying on the de minimus amount that may be awarded per credit, RSA 647:2 fails to incorporate limitations on the number of credits that may be awarded or bet per wagering event.

f. Municipal licensing and permitting departments and applicable local law enforcement are not typically equipped by education, training or experience to determine whether a slot redemption machine meets the current, or an improved version of the definition of a redemption slot machine or redemption poker machine pursuant to RSA 647:2.

Recommendation #1 - Expedited

In its report to the Legislature, the Authority should consider recommending that RSA 647 et. seq. be amended to resolve the cited deficiencies and inconsistencies in relevant definitions and payment methods.

Recommendation #2

The Authority should further consider recommending that RSA 647 et. seq. be amended to impose a testing and/or manufacturer certification requirement on a prototype of each game platform to establish baseline fairness to the player and compliance with applicable conditions and limitations.

Recommendation #3

The Authority should further consider recommending that regardless of where jurisdiction is placed, that the authorizing entity implement audit protocols aimed at ensuring the accuracy of the awards made by these machines.

Recommendation #4

In its report to the Legislature, the Authority should consider recommending a comprehensive cost/benefit analysis to determine whether the continued existence of the redemption slot machine exemption is in the best interest of the citizens of New Hampshire. This analysis should include an assessment of local revenue, current enforcement costs, projected enforcement costs should oversight be improved and a specific analysis of the impact of growth in this sector on the ability of New Hampshire to develop the type of commercial casino contemplated by the Omnibus Version of SB 152 and competing proposals.

Recommendation #5

The Authority should further consider recommending that if a decision is made to retain the exemption that:

- a. RSA 647 et. seq. be amended to name the New Hampshire Racing and Charitable Gaming Commission as the primary regulatory authority subject to a defined exception that a local jurisdiction may continue to associate an "annual fee" on redemption slot machines and redemption poker machines. Properly funded the Commission appears to be equipped to undertake this role.
- b. A methodology to recoup the cost of regulatory oversight and enforcement over this sector be developed including, but not limited to, an assessment on gross revenue or an additional annual fee per machine. This assessment should be in addition to any other property, income or corporate taxes generally applicable to a business.
- c. That persons holding an ownership interest in redemption slot machines and redemption poker machines and their service providers be subject to a licensing scheme substantially similar to that recommended herein for games of chance.

Sweepstakes

A prohibition on the play of sweepstakes on a gambling machine as defined in RSA 647:2, II (e) and (h) was credibly incorporated into New Hampshire's Gambling Offenses statute in 2012 [HB 1260]. This was an important amendment for New Hampshire as the electronic display of sweepstakes results on an electronic monitor in a manner that simulates the play of a slot machine has proliferated significantly and venues offering this type of device have become prosecutorial and enforcement problems in States like Florida, Ohio and North Carolina.

Recommendation #1

The Authority should consider recommending that RSA 647:2, II (e) be amended as follows:

Gambling machine means any device or equipment which is capable of being used to play or reveal the outcome of a sweepstakes or play games of chance and which discharges money, or anything that may be exchanged for money, cash equivalent, debit card, merchandise credit card, or opportunities to enter sweepstakes or play games of chance, or displays any symbol entitling a person to receive such a prize.

Recommendation #2

The Authority should consider recommending that RSA 647 et. seq. be amended to designate the New Hampshire Racing and Charitable Gaming Commission or its designee as the initial arbiter of whether a device meets the statute's definition of a prohibited gambling machine.

REGULATORY STRUCTURE

While there are certain core best practices that should be incorporated, and uniform incompatibilities of function that must be respected, it is safe to say that no two of the twenty-three States that offered commercial gaming¹⁵ in 2012 regulates it in the same way. Regulatory schemes have never been one size fits all, what works well for one jurisdiction may not be palatable for legal, political, cultural or other considerations in another. Distilled to its essence, every regulatory scheme reflects a balancing of competing interests that is unique to that State.

As indicated elsewhere in this report, no structural or organizational changes in the New Hampshire regulatory system are indicated for currently authorized gaming. With regard to proposals to expand gaming to include commercial casinos, an essential first step for New Hampshire is to honestly assess what its expectations are for a commercial casino. Is it just a means of addressing an immediate fiscal problem or is it interested in integrating a gaming sector into its long term development plans? Is it about jobs? Is it about tourism? Or is a combination of these goals? Any statute that is developed should identify New Hampshire's unique expectations. If jobs are the primary motivator then hiring locally and use of local products should be emphasized. If tourism is the primary motivator, then the effective tax rate and/or any minimum investment requirements should be geared to stimulate restaurants, hotels, entertainment, convention centers and marketing. If New Hampshire is really committed to addressing problem gambling than an enabling statute must fund that commitment. When a state is considering whether to permit commercial gaming it is engaged in a negotiation. The casino companies know what they want to achieve in the context of those negotiations and it is important for the state to be equally prepared.

The challenge for any jurisdiction competing for gaming investment, especially as markets approach saturation, is to design a regulatory scheme that meaningfully regulates the industry at the lowest possible cost. The calculus performed by casino companies will involve not only an assessment of the initial costs of entry to the jurisdiction in the form of licensing fees, minimum investment and cost of investigation but will also factor in the regulatory burdens and expectations imposed upon their day to day operations. Well run casino companies will be looking for three things in any New Hampshire enabling statute:

- A secure regulatory environment where expectations are well defined and consistent with industry best practices so that no aspect of operations in New Hampshire complicates or jeopardizes its license in another jurisdiction.
- A stable and predictable political environment where there are no frequent or dramatic changes or unrealistic expectations that impact its ability to do business; and
- An environment where it can pursue its overall business plan and can maximize returns within the limits of a reasonable regulatory scheme.

States can generally be categorized as gaming agency or lottery centric states. Gaming agency states typically employ either a single agency or dual agency approach to regulation. Arguably oversimplified, the distinctions between gaming agency states generally turn on the source of the licensing suitability and eligibility recommendation and on responsibility for the prosecution of regulatory enforcement matters. California, for

¹⁵ The American Gaming Association defines commercial casinos as land based, riverboat, dockside and racetrack casinos. The *2013 American Gaming Association Survey of Casino Entertainment* at ii. For purposes herein, commercial gaming is intended to mean slot machines, video lottery terminals, table games or some combination thereof conducted at a commercial casino.

example, employs a dual agency approach for its cardrooms with the CA Department of Justice's Bureau of Gambling Control responsible for all investigatory, auditing and compliance functions and the CA Gambling Control Commission acting on licensing applications, adjudicating enforcement actions and maintaining responsibility for rulemaking. Conversely, Pennsylvania, as will be discussed with greater specificity below, consolidates all of the above cited functions in the Pennsylvania Gaming Control Board with an independent Bureau of Investigation and Enforcement within the Board ensuring that the appropriate segregation of these functions is internally maintained within the agency. Gaming agency states generally afford operators significant discretion over the operation and management of the gaming enterprise and the ownership of slot machines and related equipment and assess taxes, supplements to racing purses and other fees on gross or net gaming revenue.

The RFP identified nine comparator states for the purposes of this report. Of the nine, six of the states are gaming agency states:

Dual Agency: Connecticut¹⁶
 New Jersey
 Nevada

Single Agency: Maine¹⁷
 Massachusetts
 Pennsylvania

Lottery centric states generally graft commercial gaming into an already functioning lottery regulatory scheme. Typically, these states employ lottery terminology rather than casino terminology, for example, a slot machine is denoted as a video lottery terminal, a game manufacturer is denoted as a technology provider. In many lottery centric states, in addition to the central control computer system, video lottery terminals are owned, leased or licensed by the state and a remittance or commission based model of compensation is utilized pursuant to which all gross revenue is remitted to the lottery and distributed back by the lottery to casino operators, technology providers, general and specialty funds and others in the distribution scheme.

The New Hampshire comparator states following a lottery centric model are:

Delaware
Maryland¹⁸
Rhode Island

A summary of the regulatory scheme in each of the nine comparator states follows.¹⁹ These summaries should function as a quick reference guide when evaluating alternatives and options with regard to the

¹⁶ Foxwoods and Mohegan Sun are both Tribal casinos authorized under the National Indian Gaming Act. Multiple regulating agencies are involved with a Tribal casino. On the Tribal level the primary regulator is the Tribe's gaming authority. In addition, there is a state regulatory mechanism agreed to via the Compact and there are roles for the National Indian Gaming Commission, the Bureau of Indian Affairs, other agencies within the Department of Interior and the Department of Justice.

¹⁷ All stakeholders are within the [Maine Department of Public Safety](#).

¹⁸ Maryland is in the process of phasing out state participation in the ownership, leasing or licensing of video lottery terminals. Two yet to be built facilities will be responsible for procuring their own video lottery terminals and by March 2015 the ownership of the video lottery terminals at its two largest operating facilities must be transferred to the casino operators. The State Lottery and Gaming Control Agency will continue to own or lease the video lottery terminals at its two smallest properties in the near term.

¹⁹ While the report did not intentionally limit its analysis to the nine comparator states, and other states like California are referenced, the comparator states provide a good cross section of regulatory options and alternatives.

functional components of a casino regulatory scheme - investigation, adjudication, rulemaking, audit and compliance, regulatory enforcement and criminal referral and enforcement. Every effort has been made to present a uniform summary but the exercise is more difficult than first appears because the approaches, whether gaming agency centric or lottery centric, are so diverse. The reader is cautioned that while the experiences of others states are certainly relevant, within the constraints of industry best practices, New Hampshire is best served by setting its own objectives and finding its own path.

CONNECTICUT

The State of Connecticut has two very large scale casino resorts, both of which are operated by federally recognized Indian Tribes and authorized pursuant to gaming Compacts with the State under the Indian Gaming Regulatory Act of 1988, 25 U.S.C. sec. 2701 ("Act"). Under the Act, a Tribe is generally authorized to offer any game of chance then legal under state law including video facsimiles of permissible games of chance. Because the Act expressly prohibits a State from taxing Tribal gaming revenues, it is within the context of the Compact that the parties negotiate any revenue share. Neither Connecticut Compact has an expiration date and both remain in effect unless terminated by action of the parties.

The Mashantucket Pequot Tribe opened Foxwoods Resort Casino in 1992 and the Mohegan Tribe opened Mohegan Sun four years later. Their respective Compacts with the State are the product of independent negotiations and generally set forth the scope of the permitted games mix as well as the rules, regulations and conditions under which each Tribe conducts Class III gaming as defined in the Act. As a result of Connecticut's broad charitable gaming rules these Tribal gaming operations are authorized to offer the full array of casino games and electronic gaming devices. Pursuant to the terms of both Compacts, under certain enumerated conditions each tribal operator contributes 25% of its gross revenue from slot machines to the State's General Fund. There is no revenue share on table games. In addition, each is subject to an annual assessment sufficient to cover the costs of regulation, including investigations.

A number of entities at the Tribal, State and Federal level concurrently regulate a Tribal operation. On the Tribal level the primary authority is the Tribe's gaming authority. In addition to the State regulatory mechanism agreed to via a Compact there are roles for the National Indian Gaming Commission, the Bureau of Indian Affairs, other agencies within the Department of Interior and the Department of Justice. An exhaustive discussion of their relevant concurrent and exclusive jurisdictions is well outside the scope of this report and is arguably of little direct relevance to the Authority's deliberations. The discussion herein is, therefore, limited to the State's role in the oversight of these operations.

Under the Connecticut Compacts, the Connecticut Department of Consumer Protection's Gaming Division ("Gaming Division") acts in the role of the State's gaming agency and the Connecticut State Police ("State Police") act as the State's law enforcement agency. Generally, licensing applications for employees and gaming service enterprises are filed with the Gaming Division, investigation and the suitability recommendation are the responsibility of the State Police and the Gaming Division approves, approves with conditions or denies each license. Standards of operation and management, and regulatory compliance therewith, are largely the responsibility of the Tribal gaming authority with certain enumerated oversight and concurrence authority resting with the Gaming Division. Criminal enforcement for gaming related matters rests primarily with the State Police.

DELAWARE

Type of Gaming	Year Authorized
----------------	-----------------

Video Lottery Terminals	1994
-------------------------	------

Table Games	2010
-------------	------

Sports Lottery (limited wagering)	2009
-----------------------------------	------

Internet Gaming	2012 ²⁰
-----------------	--------------------

Effective Tax Rate

Video Lottery Terminals	56.5% ²¹
-------------------------	---------------------

Table Games	33.9%
-------------	-------

Sports Lottery (limited wagering)	56.5%
-----------------------------------	-------

License Fee

None specified in the statute

Minimum Investment

None specified in the statute.

Regulatory Structure

Video lottery terminals, permissible sports wagering systems and Internet gaming systems are owned, leased or licensed by, and operated by, the Delaware Lottery and only entities licensed by the State to conduct horse or harness racing qualify to be Lottery Agents offering the full array of Lottery products. The latter include the table games authorized by the Legislature for licensed Lottery Agents in 2010. At present, three racinos are operational in Delaware.

The following summary reflects the regulatory model as of December 2013.

Director, State Lottery Office

The primary operating and regulating entity is the Director of the State Lottery Office in the Department of Finance ("Director"). Appointed by the Secretary of Finance with the approval of the Governor, the Director

²⁰ Expected to go live October 2013.

²¹ 29 Del. C § 4815 is extremely fact specific and employs a scheme pursuant to which the Lottery collects gross proceeds and remits back to casino operators. The effective tax rates in all categories are approximate. All remittances to operators are categorized as commissions for the operation of video lottery terminals, sports wagering and table games.

serves as the executive officer of the State Lottery Office. Under 29 Del. C § 4805 the Director exercises broad authority to operate and administer the State Lottery Office and to grant licenses to Lottery Agents and their qualifiers, key employees, game room service employees, sports operations employees and service companies. The Director is further authorized to contract with technology providers and to promulgate rules and regulations with regard to all aspects of licensing, the conduct of gaming operations and technical standards and specifications for systems. A party whose license is denied, suspended or revoked by the Director is entitled to a hearing conducted by the Delaware Lottery Commission. Appeal of the Lottery Commission's decision is to the Superior Court.

Generally, all license applications are filed with the Lottery and, upon a determination of completeness, are referred to the Division of Gaming Enforcement (see below) for investigation and ultimately, a licensing recommendation. Upon receipt of the Division's recommendation, the Director acts on the application.

Under 29 Del. C § 4819A the Director also licenses eligible charitable gaming organizations, generally fraternal or veteran's organizations in existence after January 1, 2013, permitted to operate charitable video lottery machines. connected to the Lottery's central control computer system.

Lottery Commission

As noted above, the Lottery Commission is within the Department of Finance. Under 29 Del. C § 4837 its duties include, but are not limited to, providing policy advice and guidance to the Director and the Secretary of Finance and the review of regulations issued by the Director. The Commission is also charged with the conduct of hearings related to the following:

Motions for reconsideration of an emergency order for the suspension of any license issued by the Director. See 29 Del. C § 4830(i);

Denial, suspension or revocation of a license by the Director. See 29 Del. C § 4830(j); and,

A placement on the exclusion list. See 29 Del. C § 4835.

In every case, appeal of the Lottery Commission's decision is to the Superior Court.

Membership

Five member Commission, all appointed by the Governor and subject to confirmation by the Senate.

Chair is appointed by the Governor and serves at his pleasure.

The Commission must be composed of at least one of each of the following: CPA, lawyer, businessman, person with a background in law enforcement and a public member. Other restrictions on ownership are enumerated in the statute including prohibitions on owners, employees or agents of a video lottery agent or sports agent and members of the Standardbred Owners Association and Delaware Thoroughbred Horsemen's Association.

No more than three members from the same political party.

Five year staggered term; only one full term permitted.

Members are subject to background investigation to the same standard as a key employee.

Members are compensated on a per diem basis for meeting attendance and for actual expenses.

Division of Gaming Enforcement

Delaware recently formalized a Division of Gaming Enforcement ("Division") under the supervision of the Secretary of Safety and Homeland Security. The Division is charged with performing all background investigations required by the Lottery and the issuance of a suitability recommendation to the Director for all persons required to be licensed in Delaware.

The Division is responsible for initiating placement of a person on Delaware's exclusion list and exercises exclusive jurisdiction over all criminal offenses related to the conduct of operations at the Lottery or that occur at a licensed facility.

Under 29 Del. C § 4805 the Delaware State Police also plays a role in background investigations related to employee organizations (unions).

Rulemaking Authority: Director

Regulatory Enforcement and Notice of Violation Recommendation

Under 29 Del. C § 4823, regulatory enforcement rests with the Director. The Director through Lottery Office staff evaluates compliance with applicable regulations and requirements and, where a deviation or deficiency is identified, the Director reviews the investigative file and makes a recommendation. The matter may be resolved administratively by a corrective action plan, warning letter or other form of agreement with the affected party. Where he determines it to be warranted, the Director may initiate an action in the Superior Court for a civil penalty actions under the Delaware enabling statute.

Criminal Enforcement

Gaming Related: Delaware Division of Gaming Enforcement

Non-Gaming Related: Local Jurisdiction

MAINE

Type of Gaming	Year Authorized
Slot Machines	2004
Table Games	2010
Effective Tax Rate	
Slot Machines (all)	1% Gross ²²
racetrack	39% Net ²³
non-racetrack	46% Net ²⁴
Table Games	
racetrack	16% Net ²⁵
non-racetrack	16% Net ²⁶
License Fee	\$ 250,000 non-refund. privilege fee \$5,000,000 applicable after 09/01/13 if an application is subject to competitive bid.
Minimum Investment	None

²² 1% of Gross Slot Machine Income is assessed for the administrative expenses of the Gambling Control Board. 8 M.R.S.A. § 1001 (21) defines Gross Slot Machine Income as the total value of money, tokens, credits or similar objects or things of value used to actually play a slot machine before payback is distributed to a player.

²³ A casino operator of a commercial racetrack is assessed 39% of Net Slot Machine Income. 8 M.R.S.A. § 1002 (29-A) defines Net Slot Machine Income as money, token, credits or similar objects or things of value used to play a slot machine minus money credits, or prizes paid out to winners and amounts paid pursuant to 8 M.R.S.A. § 1036 subsection 1 (which is the 1% of Gross Slot Machine Income paid for administrative expenses of the Board). Per 8 M.R.S.A. § 1032-A promotional credits are included in Gross Slot Machine Income. Distributions from this category of licensee include, but are not limited to, administrative expenses of the Board, the host municipality, education and funds associated with the horse industry and to stabilize off track betting facilities.

²⁴ A casino operator unrelated to a commercial racetrack is assessed 46% of Net Slot Machine Income. Distributions from this category of licensee generally mirror those of a casino operator with a commercial racetrack but also include a distribution of 4% of Net Slot Machine Income for the Tribal governments of the Penobscot Nation and the Passamaquoddy Tribe.

²⁵ 8 M.R.S.A. § 1001(29-B) defines Net Table Game Income as money, tokens, credits or similar objects or things of value used to play a table game minus money, credits or prizes paid out to winners.

²⁶ For a casino operator unrelated to a commercial racetrack only, a distribution is made from the table game tax for charitable nonprofit organizations that were previously eligible to conduct beano games and games of chance.

Regulatory Structure

In 2004 Maine legislatively authorized slot machines at racetracks and in 2010 a referendum authorized table games. As of 2012, two facilities were operational, Hollywood Casino in Bangor with 925 slot machines and 16 table games and Oxford Casino with 739 slot machines and 22 table games.

Under 8 M.R.S.A. § 1020 (3) the maximum number of slot machines for the state is 3000 with no one operator authorized more than 1500.

Under 8 M.R.S.A. § 1012-A renewal of a slot machine operator license and casino license are tied to an approval process for the host municipality narrowly focused on the operator's actual impact on the public health and safety of the host municipality. Rights of appeal are first to the Gambling Control Board and then to the District Court.

The following summary reflects the regulatory model as of December 2013.

Gambling Control Board. See 8 M.R.S.A. § 1002

The Gambling Control Board ("Board") within the Maine Department of Public Safety ("Department") is the primary regulatory authority. It is responsible for licensing and all aspects of regulatory compliance with regard to operators, slot machine distributors, table game distributors, gambling service vendors and key employees as well as the registration of employees.

Generally, all license applications are filed with the Board and, upon a determination of completeness by the Executive Director of the Board, are referred to the Department for investigation and ultimately, a licensing recommendation. Upon receipt of the Department's recommendation, the Board acts on the application.

Membership

Five (5) member Board, all appointed by the Governor subject to:

Review by a joint standing committee of the legislature having jurisdiction over gambling matters; and

Confirmed by the Senate.

Chair appointed by the Governor.

Removal by the Governor for cause.

At least four members of the Board must have training or experience in at least one of the following fields: corporate finance, economics, law, accounting, law enforcement, computer science, or the gambling industry.

One member must have experience in the harness racing industry.

Three year staggered term. Statute does not specify terms of compensation but presumably at least expenses are compensated.

Under 8 M.R.S.A. § 1002(8) a Board member is subject to a two year employment restriction during his term and for a period of two years after the end of that board member's service. The restriction applies to immediate family.

Director, Gambling Control Board. See 8 M.R.S.A. § 1003.

The Commissioner of Public Safety, with the advice and the consent of the Board, and on a timetable directed by the Board, hires the Executive Director. The Board may delegate certain enumerated duties and responsibilities to the Executive Director, many of which are significant. Among the duties and responsibilities that may be delegated are rulemaking and denial, approval with conditions, suspension or revocation of any license or registration or the imposition of sanctions or penalties.

Department of Public Safety. See 8 M.R.S.A. § 1003.

Under the statute, the Maine Department of Public Safety ("Department") enjoys a significant amount of concurrent regulatory authority with the Board. In addition to its statutorily defined roles with regard to regulatory compliance, background investigations and the licensing recommendation, the Department is empowered to perform an extensive level of oversight on its own initiative.

Rulemaking Authority Board

**Regulatory Enforcement and
Notice of Violation Recommendation**

As noted above, given that the enabling statute enumerates a significant level of concurrent authority for regulatory compliance between the Board and Department, both are active in this regard. The Board's 2012 annual report cites the presence in each facility of both civilian inspectors assigned to the Board and sworn personnel assigned to the Department. Generally, compliance concerns are investigated by the Department at the request of the Board or Executive Director. A matter may be resolved administratively by the Executive Director by a corrective action plan, warning letter or other form of agreement with the affected party. Where it is determined by the Executive Director to be warranted, he may initiate proceedings before the Board for a penalty or sanction. Appeal of a Board decision is to the Superior Court.

Criminal Enforcement

Gaming related	Department (includes potential referral to the Attorney General)
Non-Gaming related	Local Jurisdiction

MARYLAND

Type of Gaming Year Authorized

Video Lottery Terminals 2008

Table Games 2012

Effective Tax Rate

Video Lottery Terminals See below ²⁷

Table Games 20% ²⁸

Annual Fee (Problem Gaming Fund) \$425/VLT
\$500/table

License Fee

VLT License Fee At least three (3) million per 500 VLT (competitive process reduced for resort facility).

Table Game License Fee None

Minimum Investment

At least twenty-five million per 500 VLTs (competitive process; reduced for resort facility; investment includes construction and related costs.)

Regulatory Structure

A November 2008 referendum authorized up to 15,000 video lottery terminals ("VLTs") at five specifically enumerated regional locations denoted as Qualified Locations via a competitive process. Under the

²⁷ Md. Code § 9 - 1A -01 defines "Proceeds" as the part of the amount of money bet through video lottery terminals and table games that is not returned to successful players. Subject to certain enumerated conditions, "Proceeds" does not include money given away by a video lottery operation licensee as free promotional play and used by players to wager at a video lottery terminal or at a table game.

In conjunction with the November 2012 referendum authorizing a sixth gaming facility, an additional 1,500 VLTs and the conduct of table games, Md. Code § 9 - 1A -27 was amended to reflect a significant increase in Maryland's then 33% of Proceeds distribution to video lottery operator licensees. The revised statute retains the distribution of Proceeds back to a video lottery operation license at 33% for all operators except for the licensee located in Worcester County (smallest non-resort) where it is now 43% and for the operator in Allegany County (resort operator) where it is now 50%. In addition, all licensees are slated to receive additional distributions in the 6% - 8% range tied to assumption of ownership of video lottery terminals by the operator and further additional distributions in the 6% to 8% range tied to promotional costs and capital improvements in their facilities. In accordance with Md. Code § 9 - 1A -27, Proceeds are allocated to cover the cost of regulation and to several funds including local impact grants and racing.

²⁸ Casino operators receive 20% of the Proceeds from table game operations with the remaining 80% distributed to the Maryland Education Trust Fund.

inaugural statute, the Maryland State Lottery Commission was granted primary authority to regulate VLTs subject to the competitive selection process described below by the Maryland Lottery Facility Location Commission. In the inaugural statute, the Maryland State Lottery Agency was charged with assisting the Maryland State Lottery Commission in the performance of its duties.

Following the success of a November 2012 referendum authorizing a sixth gaming facility, an additional 1,500 VLTs and the conduct of table games, the Maryland State Lottery Commission was reconstituted as the State Lottery and Gaming Control Commission and the Maryland State Lottery Agency was reconstituted as the State Lottery and Gaming Control Agency.

As noted in Footnote #14, the state initially owned both the video lottery terminals and the state's central control computer system. It is in the process of moving away from this model and going forward expects to retain an ownership, lease or license interest only in the central control computer system.

The following summary reflects the current regulatory model.

Maryland Lottery Facility Location Commission ("Location Commission"). See MD. Code §9-1A-36.

The Location Commission is authorized to "award" but not "issue" up to six video lottery operation licenses to *qualified* applicants through a competitive process. Qualified applicants are persons found suitable by the State Lottery and Gaming Control Commission ("Commission") (discussed below) to hold the license, if selected. The actual video lottery operation license includes table games and is "issued" by, and concurrent authorization to conduct table games is granted by, the Commission. By statute, the Location Commission expires January 1, 2015, subject to reconstitution by the Governor, the expectation being that all six locations will have been selected by that date. The State Board of Contract Appeals decides an appeal of a decision by the Location Commission.

Membership

Seven Member Commission. Appointed as follows subject to enumerated experiential and conflict criteria:

Three by the Governor
Two by the President of the Senate
Two by the Speaker of the House of Delegates.

Chair must be a gubernatorial appointment.

Part time; four (4) year term.

No compensation other than expenses.

Removal by the Governor, in consultation with the President of the Senate and the Speaker of the House, for inefficiency, misconduct in office or neglect of duty.

One year post-employment restriction.

State Lottery and Gaming Control Commission ("Commission"). See MD. Code § 9-1A-04.

The Commission is the primary regulatory authority and is authorized to determine whether an applicant for a operator, casino servicer provider or employee license, including any qualifiers, satisfies the enumerated licensing criteria. Once the license is issued the Commission is responsible for all matters related to the regulation of that licensee including the grant of authority to conduct table game operations under MD. Code § 9-1A-04 and the issuance, suspension and revocation of a license.

Key Divisions within the Commission include:

Gaming Division - responsible for compliance audits, responsible gaming, technical standards and the management of the central control computer system.

Enforcement Division - This Division maintains a presence in each licensed facility.

Background investigations are performed by civilian Commission staff dedicated to that purpose and supervised by a senior member of the Maryland State Police assigned to the Commission. Under MD. Code § 9-1A-20 a background investigation may be outsourced. Upon receipt of the staff recommendation as to suitability and assessment of all other relevant obligations and conditions, the Commission proceeds with the licensing decision.

Membership

Seven Member Commission. Appointed by the Governor with the advice and consent of the Senate subject to enumerated experiential and conflict criteria.

Commission members elect Chair.

No more than five members from the same party.

May be full time; five year staggered term; no more than two full terms.

Compensated with salary and expenses.

Removal by the Governor for cause with notice and opportunity to be heard.

Governor appoints one member of the Commission to serve as a liaison to the State Racing Commission.

At least one member must reside in a municipality that has a video lottery facility.

One year post-employment restriction.

Maryland State Lottery and Gaming Control Agency ("Agency"). See MD. Code § 9-107, 111.

The Agency is the primary regulatory authority over Lottery but is charged only with assisting the Commission in the performance of its duties with regard to VLTs and table games. The Agency is headed by a

Director, appointed by the Governor with the advice and consent of the Senate, who serves as the executive officer of the Agency. The Director serves at the pleasure of the Governor and is Secretary of the Commission.

Rulemaking Authority: Commission

**Regulatory Enforcement and
Regulatory Notice of Violation Recommendation**

Regulatory enforcement authority rests with the Commission. Civilian Commission staff investigate alleged regulatory violations which are typically resolved administratively by a corrective action plan, warning letter or other form of agreement with the affected party. Where determined to be warranted, the Attorney General may initiate proceedings before the Commission for a penalty or sanction on the licensee.

Criminal Enforcement

Gaming Related	Local law enforcement and State's Attorney
Non-Gaming Related	Local law enforcement and State's Attorney
Non-Gaming Related	Local Jurisdiction

MASSACHUSETTS

Type of Gaming

Category 1 License	Permits operation of table games and slot machines.
Category 2 License	Permits no more than 1,250 slot machines; no table games.

Year Authorized

Category 1 License	2011
Category 2 License	2011

Effective Tax Rate

Category 1 License	25% GGR ²⁹
Category 2 License	40% GGR ³⁰ 9% GGR
Slot Machine Annual Fee	\$600/slot

License Fee

Category 1 License	Not less than \$ 85,000,000 ³¹
Category 2 License	Not less than \$ 25,000,00

Annual Fee - Public Health Trust Fund	Not less than \$5,000,000 annually ³²
--	--

²⁹ Gross gaming revenue is defined as the total of all sums actually received by a gaming licensee from gaming operations less the total of all sums paid out as winnings to patrons; provided, however, that the total of all sums paid out as winnings to patrons shall not include the cash equivalent value of any merchandise or thing of value included in a jackpot or payout; and provided further, that "gross revenue" shall not include any amount received by a gaming licensee from simulcast wagering or from credit extended or collected by the gaming licensee for purposes other than gaming; provided further, that the issuance to or wagering by patrons of a gaming establishment of any promotional gaming credit shall not be taxable for the purposes of determining gross revenue.

³⁰ Under Section 55 of the Massachusetts Gaming Act:

Category 1 licensee - 25% of gross gaming revenue;

Category 2 licensee - 40% of gross gaming revenue plus an additional 9 % of gross gaming revenue to the State's Race Horse Development Fund.

³¹ Under Section 10 of the Massachusetts Gaming Act, the minimum investment is determined by the Massachusetts Gaming Commission on a regional basis in the context of a competitive selection process.

³² Under Section 56 of the Massachusetts Gaming Act a \$5,000,000 proportionate share assessment based on number of gaming positions is diverted to the Public Health Trust Fund. In addition, under Section 59 of the Act 5% of the gross gaming revenue tax collected is diverted to this Fund.

Minimum Investment

Category 1 License	Not less than \$500,000,000
Category 2 License	Not less than \$125,000,000

Regulatory Structure

In November 2011 Massachusetts adopted *An Act Establishing Expanded Gaming in the Commonwealth* ("Act"). At the time of its adoption, Massachusetts already had developed gaming sectors including racing, lottery and charitable gaming. The Act legislatively authorized three casino resorts, one each in three designated regions and one at large slots only facility. The designated regions are:

Region A (Suffolk, Middlesex, Essex, Norfolk & Worcester Counties);
Region B (Hampshire, Hampden, Franklin & Berkshire);and,
Region C (Bristol, Plymouth, Nantucket, Dukes & Barnstable Counties).

To date, no licenses have been issued by the Commission. The following summary reflects the regulatory model contemplated by the Act.

Massachusetts Gaming Commission. See Section 3 of the Act.

The Massachusetts Gaming Commission ("Commission") is the primary regulatory authority. It is responsible for all aspects of regulatory compliance as well as licensing decisions related to applicants for Category 1 and Category 2 licenses and their qualifiers (Section 8 of the Act), gaming vendors (Section 29 of the Act) and key employees and gaming employees (Section 29 of the Act).

The Commission has authority to appoint an Executive Director to manage and administer the operations of the Commission. The Executive Director serves at the pleasure of the Commission.

Note: Under Section 26 of the Act, like New Jersey the Commission has authority to grant all licenses prerequisite to the consumption of alcoholic beverages in the gaming establishment.

Note: Under Section 32 of the Act, labor organizations seeking to represent employees of gaming establishments must register with the Commission.

Note: Effective May 20, 2012 the Commission assumed all regulatory duties and responsibilities related to horse racing.

Membership

Five Member Commission. Appointed as follows subject to enumerated experiential and conflict criteria.

One by the Governor
One by the Attorney General
One by the Treasurer and Receiver General
Two by a majority vote of the Governor, Attorney
General and Treasurer and Receiver General.

Chair appointed by the Governor.

Removal by the Governor if a Commissioner (1) is guilty of malfeasance in office, (2) substantially neglects his duties, (3) is unable to discharge his duties, (4) commits gross misconduct or (5) is convicted of a felony.

Five year staggered term. Maximum years of service ten (10).

Full time, salary of the Chair equal to the salary of the commissioner of administration under the state employment system; salary of a commissioner equal to three-quarters the salary of the commissioner of administration under the state employment system.

Commission members are subject to an ethics policy and three year post employment restriction.

Investigations and Enforcement Bureau ("IEB"). See Section 12 of the Act.

Housed within the Commission, IEB is charged with the investigation of all license applicants under the Act. See Section 12 of the Act. IEB is expected to be staffed predominantly by civilian investigative personnel. Under Section 6 of the Act it is designated as a law enforcement agency and its employees, civilian and otherwise, are construed as having enforcement powers commensurate with the purposes of the Act.

Note: Criminal history checks are performed by the Commonwealth's criminal history system board upon the request of IEB.

Note: Pursuant to Section 30 of the Act, persons not considered to be gaming employees, key employees or employees requiring access to restricted areas have no licensing requirement but are required to register with IEB.

Gaming Enforcement Unit, Division of State Police ("Gaming Enforcement Unit"). See Section 6 of the Act.

The Gaming Enforcement Unit, formed within the Massachusetts State Police, will assign personnel directly to the Commission to supplement and assist IEB in the performance of its investigative and regulatory enforcement duties. These officers will be employees of the Commission.

Division of Gaming Enforcement, Office of the Attorney General ("Division"). See Section 6 of the Act.

The Division, formed within the Attorney General's Office concurrent with adoption of the Act, has powers beyond the four gaming establishments to be developed pursuant to the Act. The Division is responsible for the enforcement of civil and criminal gaming laws throughout the Commonwealth and attorneys assigned to the Division will prosecute regulatory violations on behalf of IEB.

Generally, license applications are filed with the Commission and, upon a determination of completeness by the Commission's Director of Licensing, are referred to IEB for investigation and ultimately, a licensing recommendation. Upon receipt of IEB's recommendation, the Commission acts on the application. Prior to a Commission decision an applicant may request a hearing to contest findings of fact by IEB. Once the Commission rules on the application an applicant is not entitled to

further review.

For Category 1 and Category 2 applicants competing for the four available licenses the process is more complex. For these applicants the Commission is following a phased licensing approach where Phase 1 is the suitability determination and Phase 2 is an assessment of the balance of the licensing criteria and requirements. Category 1 and Category 2 applicants are obligated to enter into Host and Surrounding Community Agreements defining all responsibilities between the community and the applicant. The Host Community Agreement must further be approved by referendum. The Host and Community Agreements and a successful Host Community referendum need not be completed before the Phase 1 suitability determination but must be in place and complete before Phase 2's final selection process.

Rulemaking Authority: Commission

**Regulatory Enforcement and
Regulatory Notice of Violation Recommendation.**

The Commission's Investigations and Enforcement Bureau ("IEB") is expected to have an compliance/audit section that has primary responsibility for regulatory enforcement. As note above, IEB is expected to be staffed predominantly by civilian investigative personnel and, like IEB's investigative functions, its compliance/audit section will be supplement by personnel from the Gaming Enforcement Bureau.

IEB will notice criminal violations to the Division of Gaming Enforcement, Office of the Attorney General ("Division"). IEB and the Division shall cooperate in a determination as to whether to proceed with civil or criminal sanctions, or both.

Criminal Enforcement

Gaming Related: The Gaming Enforcement Unit shall exercise exclusive police jurisdiction over any criminal activity connected with the operation of the gaming establishment or relating to the games and gaming within the gaming establishment. The gaming establishment is defined to include hotels, restaurants and other amenities.

Non-Gaming Related: Massachusetts State Police shall exercise concurrent jurisdiction with local law enforcement over all other policing matters.

NEW JERSEY

Type of Gaming	Year Authorized
----------------	-----------------

Slot Machines	1976
---------------	------

Table Games	1976
-------------	------

Internet Wagering	2013
-------------------	------

Effective Tax Rate

Slot Machines and Table Games	8% tax on gross gaming revenue plus an investment alternative tax levy of 2.5% of gross gaming revenue or an alternative investment equal to 1.25% of gross revenue. ³³
-------------------------------	--

Internet Gaming	15% tax on Internet gaming gross revenue plus an investment alternative tax levy of 5% of Internet gaming gross revenue or an alternative investment equal to 2.5% of Internet gaming gross revenue. ³⁴
-----------------	--

Annual Slot License Fee	\$500/slot
-------------------------	------------

License Fee	Fact specific - at least \$200,000
-------------	------------------------------------

Minimum Investment

The New Jersey Casino Control Act ("Act") does not specify a dollar threshold for minimum investment but does require a casino to be housed in an approved hotel. NJSA 5:12-83 enumerates specifications for an approved hotel and expressly provides that an approved hotel be " . . in all respects a superior, first-class facility of exceptional quality which will help restore Atlantic City as a resort, tourist and convention destination."

In New Jersey, commercial casinos are permitted only in the City of Atlantic City. The Constitutional amendment passed by referendum in 1976 was squarely focused on funding the economic revitalization of that City. As originally adopted, the Act required each licensee to reinvest 2% of gross revenue in Atlantic City. Amendments to the Act in 1984 formalized this process through the creation of a Casino Reinvestment Development Authority ("CRDA"). As noted above, under the revised terms of the statute casino licensees may choose to either reinvest directly 1.25% of gross revenue through the CRDA or pay an additional 2.5% of gross revenue to the State.

³³ NJSA 5:12-24 defines "gross revenue" as all sums actually received by a casino licensee from gaming operations, including operation of a sports pool, less only the total of all sums actually paid out as winnings to patrons; provided, however, that the cash equivalent value of any merchandise or thing of value included in a jackpot or payout shall not be included in the total of all sums paid out as winnings to patrons for purposes of determining gross revenue. "Gross Revenue" shall not include any amount received by a casino from casino simulcasting pursuant to the "Casino Simulcasting Act," P.L.1992, c.19 (C.5:12-191 et al.).

Note: NJ has a mechanism that does, to a specified dollar threshold, exclude non-cashable promotional credits from the gross revenue calculation.

³⁴ NJSA 5:12--28.2 defines "Internet gaming gross revenue" as the total of all sums actually received by a casino licensee from Internet gaming operations, less only the total of all sums actually paid out as winnings to patrons.

Regulatory Structure

In February 2011 the Act was amended to materially revise the apportionment of duties and responsibilities between New Jersey's Casino Control Commission and its Division of Gaming Enforcement.

The following summary reflects the current regulatory model.

Casino Control Commission ("Commission") See NJAC 5:12-51

The Commission is an independent agency created in, but not of, the Department of Treasury. Under the revised regulatory approach, the Commission is limited to hearing and deciding applications for a casino license and interim casino authorization, including their respective qualifiers, matters relating to statements of compliance and key employee license applications. See NJSA 5:12-63. It is further charged with review and decision in connection with the appeal of a decision by the Director of the Division of Gaming Enforcement in the following areas: a notice of violation or penalty assessment, a determination regarding a casino service industry enterprise license, a " . . . ruling on an application for any other license or qualification under this Act . . . ", revocation of a license or registration, any ruling on a statement of compliance or placement on the exclusion list.

The Commission's exercise of rulemaking authority is limited to that necessary to conduct the hearings for which it is responsible under NJSA 5:12-63 and any other matter for which it is specifically responsible. It is obligated to refer suspected regulatory violations to the Division of Gaming Enforcement for investigation and prosecution.

Membership

Three Member Commission appointed by the Governor with the advice and consent of the Senate subject to enumerated experiential and conflict criteria.

Chair is appointed by the Governor with the advice and consent of the Senate.

Removal may occur for (1) for misconduct in office, (2) willful neglect of duty or (3) "other conduct evidencing unfitness for his office, or for incompetence". Removal is initiated by the Attorney General in the Superior Court.

Five (5) year staggered term; no more than two (2) full terms.

Salary set by Governor not to exceed \$141,000 per year.

No more than two members may be from the same party.

Commission members are subject to an ethics policy and four year post-employment restriction.

Division of Gaming Enforcement ("Division") See NJSA 5:12-55

The Division is within the Department of Law and Public Safety. Its Director is an Assistant Attorney General under the supervision of the Attorney General ("Director"). The Director is appointed by the Governor and serves during the term of office of the Governor. The Director may be removed by the Attorney General for cause with notice and opportunity to be heard.

The Division is now the primary regulatory authority in New Jersey.

Under NJSA 5:12-69 the Division exercises broad rulemaking authority over all aspects of the regulatory scheme consistent with the purposes of the Act.

Under NJSA 5:12-76 the Division is responsible for all aspects of regulatory enforcement. It certifies gross revenue and may conduct audits and other forms of compliance assessment. The Division may issue, and its Director decide, a notice of violation or penalty assessment. A decision of the Director is subject to appeal before the Commission.

Under NJSA 5:12-76 the Division conducts all background investigations related to licenses or registrations issued pursuant to the Act. The Division issues a recommendation as to the suitability of all applicants over which the Commission exercises decision making authority, specifically applicants for a casino license and interim casino authority, their respective qualifiers, key employees and matters relating to statements of compliance. The Division itself makes the suitability decision and the Director decides applications involving casino service industry enterprise applicants, registration of employees and vendors and revocation of casino service industry enterprise licenses.

Under NJSA 5:12-56 the Superintendent of State Police assigns supervisory and investigative personnel and resources to the Division as is required to fulfill its purposes. NJSA 5:12 -77 expressly designates the Division as a law enforcement agency and it is authorized under that section to prosecute all criminal violations of the Act except those it may refer to the Division of Criminal Justice, also within the Department of Law and Public Safety.

Rulemaking Authority

The Division is the primary rulemaking authority with limited concurrent authority in the Commission related directly to hearings for which the Commission is responsible under NJSA 5:12-63.

Regulatory Enforcement and Regulatory Notice of Violation Recommendation.

Regulatory enforcement authority rests with the Division. The Division's Regulatory Enforcement Bureau does compliance testing and investigates suspected regulatory violations. A matter may be resolved administratively by a corrective action plan, warning letter or other form of agreement with the affected party. Where it determines it to be warranted, the Deputy Attorney Generals in the Division's Regulatory Prosecutions Bureau initiate an action for a penalty or sanction against the licensee. The Director is the decision maker on a notice of violation or penalty assessment. A decision of the Director is subject to appeal before the Commission.

Criminal Enforcement

Gaming Related: Division/ NJ State Police assigned to the Division

Non-Gaming Related: Concurrent jurisdiction: NJ State Police and local law enforcement

NEVADA

Type of Gaming	Year Authorized
Slot Machines	1931
Table Games	1931
Internet Wagering	2011

Effective Tax Rate

Nevada assesses a 6.75% tax on gross revenue from all forms of gaming.³⁵

In addition, Nevada collects an annual tax on each slot machine and table game and a quarterly license fee on each slot machine and table game. These fees vary for restricted and non-restricted licensees.³⁶ Generally, for a non-restricted licensee, these taxes and fees add an additional 1% to the effective tax rate. Modest fees and assessments, generally tied to impact, are often imposed at the local level.

By way of example, a typical non-restricted licensee would pay the following:

Slot Machine Annual Tax:	\$250/slot
Slot Machine Quarterly License Fee	\$ 20/slot
Table Game Annual Tax	\$16,000 + \$200/table over 16
Quarterly License Fee	\$20,300 + \$25/table over 35

³⁵ NRS 463.0161 defines "gross revenue" as the total of all:

- (a) Cash received as winnings;
- (b) Cash received in payment for credit extended by a licensee to a patron for purposes of gaming; and
- (c) Compensation received for conducting any game in which the licensee is not party to a wager, less the total of all cash paid out as losses to patrons, those amounts paid to fund periodic payments and any other items made deductible as losses by NRS 463.3715. For the purposes of this section, cash or the value of noncash prizes awarded to patrons in a contest or tournament are not losses, except that losses in a contest or tournament conducted in conjunction with an inter-casino linked system may be deducted to the extent of the compensation received for the right to participate in that contest or tournament.

The term does not include:

- (a) Counterfeit facsimiles of money, chips, tokens, wagering instruments or wagering credits;
- (b) Coins of other countries which are received in gaming devices;
- (c) Any portion of the face value of any chip, token or other representative of value won by a licensee from a patron for which the licensee can demonstrate that it or its affiliate has not received cash;
- (d) Cash taken in fraudulent acts perpetrated against a licensee for which the licensee is not reimbursed;
- (e) Cash received as entry fees for contests or tournaments in which patrons compete for prizes, except for a contest or tournament conducted in conjunction with an inter-casino linked system;
- (f) Uncollected baccarat commissions; or
- (g) Cash provided by the licensee to a patron and subsequently won by the licensee, for which the licensee can demonstrate that it or its affiliate has not been reimbursed.

As used in this section, "baccarat commission" means:

- (a) A fee assessed by a licensee on cash paid out as a loss to a patron at baccarat to modify the odds of the game; or
- (b) A rate or fee charged by a licensee for the right to participate in a baccarat game.

³⁶ Pursuant to NRS 463.0189 a restricted license authorizes no more than 15 slot machines and no other game or gaming device at an establishment in which the operation of slot machines is incidental to the primary business of the establishment.

Pursuant to NRS 463.0177 a non-restricted license authorizes 16 or more slot machines, together with any other game, gaming device, race book or sports pool at one establishment, operation of a slot route, inter-casino linked system or a mobile gaming system.

Minimum Investment

None per se but the Nevada statute does enumerated situations tied to the population of a location where construction of a resort hotel is required.³⁷

Regulatory Structure

Although gambling was legalized in 1931, it was not until the late 1950s that any form of centralized regulatory scheme was imposed.

The following summary reflects the regulatory model as it currently exists.

Nevada Gaming Commission ("Commission") See NRS 463.022

The Commission is responsible for rulemaking, for all decisions related to the issuance of a license for restricted gaming, non-restricted gaming, a manufacturer, seller, distributor or service provider and their respective qualifiers and key employee licenses. It is also responsible for hearing regulatory enforcement complaints initiated by the Nevada Gaming Control Board. Although the Commission is responsible for key functions it is not the dominant regulating entity. The Board, discussed with specificity below, serves that purpose.

Membership

Five Member Commission appointed by the Governor subject to enumerated experiential and conflict criteria.

Chair appointed by the Governor.

Removal is by the Governor (1) for malfeasance in office or neglect of duty or (2) without stated cause with the concurrence of a majority of the Nevada legislative Commission.

Four year staggered term

Part time; salary and expenses

State Gaming Control Board ("Board") See NRS 463.030

The Board exercises overall regulatory enforcement authority. It conducts all licensing and regulatory investigations, conducts criminal investigations, collects and distributes gaming taxes and fees and registers and

³⁷ NRS 463.01865 defines a "resort hotel" as any building or group of buildings that is maintained as and held out to the public to be a hotel where sleeping accommodations are furnished to the transient public and that has:

1. More than 200 rooms available for sleeping accommodations;
2. At least one bar with permanent seating capacity for more than 30 patrons that serves alcoholic beverages sold by the drink for consumption on the premises;
3. At least one restaurant with permanent seating capacity for more than 60 patrons that is open to the public 24 hours each day and 7 days each week; and
4. A gaming area within the building or group of buildings.

permits employees. Key Divisions within the Board include:

Audit Division	This Division certifies gross revenue and performs audits and compliance testing.
Enforcement Division	This Division conducts regulatory and criminal investigations including on site compliance testing of rules of the games and gaming equipment. This Division also conducts the criminal history checks and background investigations associated with employee registrations and permits. The Enforcement Division has law enforcement status and is staffed, at least in part, by state peace officers.
Investigations Division	This Division is responsible for the background investigations associated with license applications.

Generally, license applications are filed with the Board and, upon a determination of completeness are referred to the Board's Investigations Division for investigation and ultimately issuance of a licensing recommendation by the Board. Upon receipt of the Board's recommendation, the Commission acts on the application.

Membership

Three Member Board appointed by the Governor subject to enumerated experiential and conflict criteria.

Chair is appointed by the Governor and also serves as the Board's Executive Director.

Removal is by the Governor for misfeasance, malfeasance or nonfeasance in office after notice and opportunity to be heard.

Four year staggered term

Full time; salary and expenses

Rulemaking Authority: Commission

Regulatory Enforcement and Regulatory Notice of Violation Recommendation.

Pursuant to NRS 463.310 the Board investigates regulatory violations identified by the Board's Audit and Enforcement Divisions. The matter may be resolved administratively within the Board by a corrective action plan, warning letter or other form of agreement with the affected party. Where it determines it to be warranted, the Board may initiate proceedings before the Commission for a penalty or sanction on the licensee. Pursuant to NRS 463.317 appeal of a final order or decision of the Commission is to the district court in the county in which the petitioner resides.

Criminal Enforcement

Gaming Related:

Gaming Control Board, Enforcement Division.

Non-Gaming Related:

Gaming Control Board, Enforcement Division, Nevada Highway Patrol and local law enforcement exercise concurrent jurisdiction.

PENNSYLVANIA

Type of Gaming

Category 1 License Licensed racetrack. Up to seven licenses may be granted. This category of licensee is limited to no more than 5,000 slot machines and must be authorized to exceed 250 table games.

Category 2 License Non-racetrack location. Up to five licenses may be granted, two are reserved for Philadelphia and one is reserved for Pittsburgh. This category of licensee is limited to no more than 5,000 slot machines and must be authorized to exceed 250 table games.

Category 3 License Resort hotel. Up to three licenses may be granted. This category of licensee is limited to no more than 600 slot machines and 50 table games.

	Year Authorized
Slot machines	2004
Table games	2010.

Effective Tax Rate

Table games - standard	12% GTGR ³⁸
Table Games - fully automated electronic	34% GTGR
Slot Machines	55% GTR ³⁹

³⁸ "Gross table game revenue" is defined as:

- (1) Cash or cash equivalents received in the playing of a table game minus the total of:
 - (i) Cash or cash equivalents paid to players as a result of playing a table game.
 - (ii) Cash or cash equivalents paid to purchase annuities to fund prizes payable to players over a period of time as a result of playing a table game.
 - (iii) The actual cost paid by the certificate holder for any personal property distributed to a player as a result of playing a table game. This does not include travel expenses, food, refreshments, lodging or services.
- (2) Contest or tournament fees or payments, including entry fees, buy-ins, re-buys and administrative fees, imposed by a certificate holder to participate in a table game contest or tournament, less cash paid or actual cost paid by a certificate holder for prizes awarded to the contest or tournament winners.
- (3) The total amount of the rake collected by a certificate holder.

The term does not include counterfeit cash or chips; coins or currency of other countries received in the playing of a table game, except to the extent that the coins or currency are readily convertible to cash; or cash taken in a fraudulent act perpetrated against a certificate holder for which the certificate holder is not reimbursed.

³⁹ "Gross terminal revenue." means the total of:

- (1) cash or cash equivalent wagers received by a slot machine minus the total of:
 - (i) Cash or cash equivalents paid out to players as a result of playing a slot machine, whether paid manually or paid out by the slot machine.
 - (ii) Cash or cash equivalents paid to purchase annuities to fund prizes payable to players over a period of time as a result of playing a slot machine.
 - (iii) Any personal property distributed to a player as a result of playing a slot machine.

This does not include travel expenses, food, refreshments, lodging or services. (2) cash received as entry fees for slot machine contests or

License Fees

Category 1 License	
License Fee - slot machines	\$50,000,000
License Fee - table games	\$16,500.000 ⁴⁰
Category 2 License	
License Fee - slot machines	\$50,000,000
License Fee - table games	\$ 7,500.000 ⁴¹
Category 3 License	
License Fee - slot machines	\$ 5,000,000
License Fee - table games	\$ 7,500,000

Minimum Investment

Category 1, 2 & 3 Licenses No explicit amount, competitive selection

Regulatory Structure

In 2004 Pennsylvania adopted the Pennsylvania Race Horse Development and Gaming Act ("Act") permitting slot machines in 14 locations throughout the Commonwealth. Pursuant to the Act, licenses are awarded on a competitive basis in accordance with a regional placement scheme outlined in the Act. In 2010, the Act was amended to permit table games and an additional resort location.

The following summary reflects the regulatory model contemplated by the Act.

Pennsylvania Gaming Control Board. See 4 Pa. C.S. § 1201.

The Pennsylvania Gaming Control Board ("Board") is the primary regulatory authority. It is responsible for all aspects of regulatory compliance as well as licensing decisions related to applicants for Category 1, 2 and 3 licenses, management companies, junket enterprises, manufacturers, suppliers, gaming service providers and their respective qualifiers as well as key employees. The Board also grants occupational permits to employees.

The Board has authority to appoint an Executive Director to manage and administer the operations of the Board. The Executive Director serves at the pleasure of the Board.

Note: Due to the fact that Pennsylvania issued slot machine licenses several years before the approval of table games, a table game operation certificate supplements the slot machine license rather than a single operation certificate as in the case, for example, in New Jersey.

Generally, license applications are filed with the Board and, upon a determination of completeness by the Board's Director of Licensing, are referred to BIE (discussed with specificity below) for investigation and ultimately, issuance of a licensing recommendation by BIE's Office of Enforcement Counsel. Upon receipt of

slot machine tournaments.

⁴⁰ License fee rose to \$24,750,000 if applied for after June 1, 2010

⁴¹ License fee rose to \$11,250,000 if applied for after June 1, 2010

BIE's recommendation, the Board acts on the application. Pursuant to 4 Pa. C.S. § 1204, the Supreme Court of Pennsylvania has exclusive appellate jurisdiction to consider appeals of any final order, determination or decision by the Board involving the approval, issuance, denial or conditioning of a slot machine license or the award, denial or conditioning of a table game operation certificate

Membership

Seven Member Board. Appointed as follows subject to enumerated conflict criteria.

Three by the Governor
One by the President Pro Tempore of the Senate
One by the Minority Leader of the Senate
One by the Speaker of the House
One by the Minority Leader of the House

Ex Officio Members: Secretary of Revenue
Secretary of Agriculture
State Treasurer

4 Pa C.S. § 1201(f) imposes what is referred to as a qualified majority vote requirement on the approval, issuance, denial or conditioning of any license by the Board, the making of any order or the ratification of any permissible act done or order made by one or more of the members. A qualified majority vote requires the vote of at least one gubernatorial appointee and the four legislative appointees. All other decisions require a majority of the full Board.

Chair appointed by the Governor.

Removal is by the appointing authority (1) for misconduct in office, willful neglect of duty or conduct evidencing unfitness for office or incompetence or (2) upon conviction of an offense graded as a felony, an infamous crime, an offense under the Act or an equivalent offense under Federal law or the law of another jurisdiction.

Gubernatorial appointees serve a three year term; no more than two full consecutive terms.

Legislative appointees serve a two year term; no more than three full consecutive terms.

Modified full time. Board member are not permitted outside employment or service contracts in excess of 15% of gross salary derived from the Board.

Board members are subject to an ethics policy and two (2) year post-employment restriction.

Bureau of Investigations and Enforcement ("BIE"). 4 Pa C.S. § 1517.

Housed within the Board, but independent of the Board in matters relating to enforcement, BIE is charged with the investigation of all license and permit applicants under the Act. BIE's Office of Enforcement Counsel prepares the final background investigation report used by the Board in determining suitability. BIE is staffed by civilian investigative personnel. Under § 1517 (a)7 it is classified as a criminal justice agency under 18 Pa. C.S. § 91.

Note: Criminal history checks are performed by the Pennsylvania State Police and transferred to BIE.

Pennsylvania Department of Revenue ("Revenue"). 4 Pa C.S. § 1517(b).

The central control computer system managing slot machines in Pennsylvania is selected and contracted for by Revenue and is maintained under its control with the Board authorized access as required to fulfill the purposes of the Act. Revenue is responsible for all aspects of the tax collection and distribution.

Pennsylvania State Police ("State Police"). 4 Pa C.S. § 1517(c).

Pennsylvania State Police assign personnel to each licensed facility to enforce the criminal provisions of the Act. State Police also supplement and assist IEB, as requested by the Board, in the performance of its investigative and regulatory enforcement duties. State Police fingerprint all applicants for licensing.

Gaming Unit, Office of the Attorney General ("Attorney General"). See 4 Pa C.S. § 1517(c.1).

By and through its Gaming Unit, the Attorney General exercises concurrent authority to investigate and, following consultation with the appropriate district attorney, to institute criminal proceedings for a violation of the Act.

Rulemaking Authority: **Board**

**Regulatory Enforcement and
Regulatory Notice of Violation Recommendation.**

Regulatory enforcement authority rests with the Board. Pursuant to 4 Pa. C.S. § 1517, the Board's Bureau of Investigations and Enforcement Bureau ("BIE") investigates suspected regulatory violations identified by the Board's audit and compliance staffs. Under the express terms of § 1517, BIE is functionally independent of the Board in matters relating to regulatory enforcement. Attorneys assigned to BIE's Office of Enforcement Counsel prosecute regulatory complaints before the Board.

BIE notices criminal violations to the Pennsylvania State Police.

Criminal Enforcement

Gaming Related: The Pennsylvania State Police exercise exclusive police jurisdiction over any criminal activity in a licensed facility.

Non-Gaming Related: Local law enforcement, State Police and the Attorney General exercise concurrent jurisdiction in accordance with 4 Pa. C.S. § 1517.

RHODE ISLAND

Type of Gaming	Year Authorized
----------------	-----------------

Video Lottery Terminals	1992
-------------------------	------

Table Games	2012
-------------	------

Effective Tax Rate

Video Lottery Terminals	71% ⁴²
-------------------------	-------------------

Table Games	18% ⁴³
-------------	-------------------

License Fees

N/A: state owned / operated.

Minimum Investment

N/A: state owned / operated.

Regulatory Structure

A condition precedent to offering video lottery terminals ("VLT") in Rhode Island is a Pari-Mutuel License issued by the Rhode Island Department of Business Regulation, Division of Racing and Athletics to conduct dog racing under Rhode Island General Laws 41-3.1 et seq. or Jai-alai under Rhode Island General Laws 41-3.1 et seq.

In 2012, the Rhode Island General Assembly enacted legislation that called for referendums in November of that year aimed at permitting table games at both of Rhode Island's VLT facilities, Twin Rivers (4,750 VLTs) and Newport Grand (1,099 VLTs). Passage statewide and locally was required. Table games were implemented at Twin Rivers in June 2013, Newport Grand remains VLT only as while the statewide referendum passed, the local referendum failed.

Pursuant to a Constitutional mandate that the state oversee all aspects of legal gambling, the State Lottery Division ("Division") established within the Rhode Island Department of Revenue, by and through its Director ("Director"), manages and controls all aspects of gaming in Rhode Island. While entities denoted as retailers own or operated the facilities where gaming is conducted, the Director manages and controls all aspects of each gaming operation. For video lottery terminals and a central control system the Director enters into license agreements with technology providers to furnish, maintain and staff the number of terminals he determines to be optimal for each facility as well as to furnish and staff the Division's central control system. As compensation, video lottery terminal providers receive a share of net terminal income approximating 7% and the system provider receives a 2.5% revenue share. Retailers supply the equipment and staff resources

⁴² Net terminal income is defined as an amount equal to total currency placed into a VLT less total credits issued from that terminal redeemable for cash by players. This definition does not treat non-cashable promotional credits as revenue.

⁴³ Net table game revenue is defined as win from table games minus counterfeit currency.

necessary to operate the number of table games determined to be optimal by the Director for each facility. Their 82% revenue share in net table revenue reflects these costs.

The Director is appointed by the Governor with the advice and consent of the Senate. His appointment is vetted with a Permanent Joint Committee on the State Lottery. The Director is removable by the Governor for cause only.

Based upon background investigations conducted by the Rhode Island State Police or Rhode Island Department of Attorney General, the Director is empowered to authorize the granting of a license to Pari-Mutuel Licensees qualifying to be Retailers, central communications system providers, technology providers, and any other entity required to be licensed. The license is administratively issued by the Rhode Island Department of Business Regulation upon its receipt of the Director's authorization. Video Lottery and Table Game Retailers are responsible for the compliance of their respective employees and independent contractors. There is no key employee or employee licensing or registration scheme.

Note: This model reflects an extremely comprehensive approach to the "state operated" regulatory model. In most states following that model, for example Delaware, the primary regulatory authority (Lottery) owns or leases the VLTs and central system but does not direct day to day operations as is the case in Rhode Island.

Rulemaking Authority: Director

Regulatory Enforcement and Regulatory Notice of Violation Recommendation

The Director, by and through an inspection staff within the Division, is responsible for regulatory compliance. Where a deviation or deficiency is identified the Director exercises full discretion to resolve the matter administratively by a corrective action plan, warning letter or penalty of not more than \$1,000 per violation. In the alternative, the Director may initiate a hearing before the Division to pursue penalties or sanctions in excess of \$1,000. Standard Rhode Island administrative procedures apply.

Criminal Enforcement

Gaming Related: Rhode Island State Police Gaming Unit

Non-Gaming Related: Local Jurisdiction

ns to enable and oversee casino gaming. In an effort to provide the Authority with recommendations and input for its consideration in a manageable format WhiteSand summarized House Bill 678 and House Bill 665 concentrating primarily on highlighting the core policy decisions each reflects. As among the proposals relating to the authorization of casino gaming considered in the 2013 Legislative Session, Senate Bill 152's Omnibus Version came closest to advancing a realistic, competitive, and meaningful regulatory scheme WhiteSand utilized it as the structure and context for its specific recommendations to the Authority. These recommendations in every case focus on assisting the Authority in designing and advancing a regulatory scheme that is cost effective, consistent with industry best practices and capable of ensuring both the integrity and competitiveness of any commercial casino approved in New Hampshire.

Introduction to 2013 Legislative Proposals

House Bill 678

House Bill 678 ("HB 678") was introduced January 3, 2013. By its terms it proposed RSA 287-H, *Gaming Oversight Authority and Video Lottery*. Its primary sponsor was Rep. Steven Vaillancourt (R-Hillsborough 15) and its co-sponsor was Rep. George A. Lambert (R-Hillsborough 44). After limited consideration on March 7, 2013, HB 678 was determined by Committee to be inexpedient to legislate meaning it would not be passed over to the other chamber. It was Laid on Table on March 21, 2013 meaning that it was set aside and may only be reconsidered if brought back from the table by a majority vote of the legislative body.

HB 678 embraced a state owned, state operated model consistent with that followed by Rhode Island but for the fact that it substituted a newly created gaming agency - the Gaming Oversight Authority ("Authority") for the supervision by the Director of the Lottery employed in Rhode Island. The Authority was to consist of the Commissioners of the Departments of Safety, Revenue Administration, and Resources and Economic Development or their designees. The Commissioner of the Department of Safety was to have served as the Authority's chair. Under HB 678 the Authority was authorized to own and operate up to 5000 video lottery machines. The Bill did not enable table games. Under its terms, the Authority was to utilize a delegation of authority to a newly formed Division of Gaming Enforcement ("DGE") and, largely through DGE's director, was to exercise its exclusive authority to " . . . staff, manage, and operate video lottery locations . . . ". DGE was to be organized as the Chair of the Authority (Commissioner of Safety) "deems necessary" and personnel hired, trained, managed and supervised by DGE were to perform all functions associated with video lottery operations including, but not limited to, serving as cashiers, machine mechanics, security officers, supervisors and managers. Following the Rhode Island model, the locations themselves were to be supplied by facility licensees required to provide not only the gaming space but support resources in the form of dining, hotel, liquor and other unspecified amenities.

By its terms HB 678 reflects the following core policy decisions.

Type of Gaming: As noted above, the Bill enabled state owned and operated video lottery machines but did not enable table games. It closely mirrored many aspects of the Rhode Island model and tasked the state, through the Authority and DGE, with full ownership, control and management of the gaming enterprise. In electing to pursue a state owned and operated model, HB 678 adopted a minority approach. The vast majority of jurisdictions afford a gaming operator significant discretion over the management and operation of a commercial casino enterprise, even those limited to video lottery machines.

Limited Number of Licenses and Machines: HB 678 limited the number of facility licenses to no more than six and the number of video lottery machines to no more than 5000. Geographic limitations were not imposed other than to prohibit more than one facility per county. The Bill contemplated four facilities with 600 video lottery machines each and two facilities with 1300 video lottery machines. By proposing up to six facilities with a state wide limit of 5000 video lottery machines, the drafters of this Bill likely intended facilities to be integrated into existing resorts and racetrack facilities. That choice, in turn, signaled expectations about capital investment and, as a corollary, the number of jobs and ancillary facilities to be generated as resorts and racetracks already have amenities like restaurants and hotel rooms.

Local Authorization: HB 678 required a video lottery location to be situated in a community that had affirmatively voted to adopt proposed RSA 287-H in accordance with rules that mirrored those applicable to

bingo and Lucky 7 under RSA 287-E. It further allowed a host community to petition the Authority for revocation of a facility license.

Effective Tax Rate: Under HB 678 the state, as the owner and operator of the gaming enterprise, was to have distributed net machine income as follows:⁴⁴

60%	General Fund
19%	Facility Licensee
12%	Authority (for the establishment, administration and operation of DGE)
6%	Each of three technology providers
2%	Central data provider
1%	Host community

Following recent trends in taxing structures, non-cashable promotional credits were excluded from the calculation of net machine income. This exclusion is significant to operators as it facilitates their ability to cost effectively incent their players through promotional credits that activate play on a video lottery machine but do not convert to cash at the conclusion of play.

The facility licensee's distribution, at 19% of net machine income, reflects the state owned and operated structure of HB 678 and are of marginal relevance to competing proposals that do not adopt that model.

License Application Fee: HB 678 contemplated awarding each of the six licenses via a competitive bid process. The minimum bid for 600 video lottery machines was set at 5 Million dollars and the minimum bid for 1300 video lottery machines was set at 10 Million dollars. A predetermination of suitability was inferred but not expressly provided for in the Bill. The Facility License Application Fee was \$150,000 plus 10% of the bid amount for regulatory agency start-up. The 10% was refundable if the applicant was not selected. If the applicant was selected, the 10% plus an additional 15% of the bid amount was to be retained for use as startup capital for the Authority and DGE and the remaining 75% was to be deposited into the General Fund. The fees associated with the bid process reflect the state owned and operated structure of HB 678 and are of marginal relevance to competing proposals that do not adopt that model.

Minimum Investment: None specified. The state owned and operated structure of HB 678 marginalizes the relevance of this policy decision.

License Term: Under HB 678 facility and technology provider licensees were to be issued for a five year term. In recognition of the cost of license renewals, many jurisdictions are moving toward a longer license duration. Five years is within the norm.

Regulatory Structure: As discussed with specificity above, HB 678 created a new gaming agency in the form of the Authority and under its terms, the Authority was to utilize a delegation of authority to a newly formed DGE to exercise its exclusive authority to ". . . staff, manage, and operate video lottery locations . . .". Ironically, while it declined to vest oversight authority in the New Hampshire Lottery, HB 678 is drafted in the vernacular of lottery. While some lottery centric jurisdictions like Maryland make an effort to maintain the vernacular of commercial gaming, it is very unusual for the vernacular of lottery to be utilized by a gaming agency. Massachusetts, for example, has a gaming agency and authorized slot machines.

⁴⁴ Under HB 678, net machine income was defined as ". . . all cash and other consideration utilized to play a video lottery machine, less all cash or other consideration paid to players of video lottery machines as winnings. Non cashable promotional credits shall be excluded from the calculation.

Qualification Threshold: Licensing best practices in the gaming industry generally provide that all persons or entities that have a legal, beneficial or equitable ownership interest in, or are otherwise able to manage or control, the person or entity applying for a license must "qualify" as part of the license application of the person or entity. Each jurisdiction is somewhat nuanced in its approach to "qualifiers" but typically the threshold is a 5% ownership position (for example PA, NJ). HB 678 followed standard practices and required the qualification, for both operators and technology providers, of key employees, officers and directors but elected to apply a stricter standard than the majority of jurisdictions to shareholders or other equity holders requiring qualification where a person or entity owned more than a 3% legal or beneficial interest in the entity. Given the costs and personal intrusions associated with a gaming license application, investors in gaming companies often structure holdings to avoid qualifier status. Most assume a 5% threshold as that is the norm. Deviating from that relatively standard threshold would have had an impact on the cost of entry to the jurisdiction.

Background Investigations: HB 678 clearly envisioned the licensing of facility providers and technology providers. Its terms were somewhat contradictory as to the licensing of the centralized data provider - some of this confusion may have its root in the practices of many lottery agencies such as New Hampshire's where the centralized data provider is not licensed per se but is vetted to a presumably equivalent standard as an element of the request for proposal and contracting process for the online lottery system. The gaming enterprise itself was to be managed and operated by state employees so licensing of employees was not required.

For facility providers and technology providers HB 678 incorporated a key check and balance on agency discretion, namely the conduct of a background investigation independent of the deciding authority. Facility license applicants and their qualifiers were to be referred by the Authority to the Attorney General for a background investigation with the Attorney General obligated to report the results to the Authority within 90 days.

As it relates to the investigative process, HB 678 incorporated a number of deficiencies all of which go to regulatory expectations and processes. Specifically,

- HB 678 was silent as to whether the Attorney General made a formal recommendation as to suitability or whether the Authority must follow the Attorney General's recommendation.
- With regard to the licensing of technology providers, the language of HB 678 was more ambiguous than with regard to facility license applicants and it may have envisioned a more limited role for the Attorney General with technology providers. From a best practices perspective, there would be no basis for distinguishing the two classes of applicants.
- HB 678 required the Attorney General to report the results of his investigation to the Authority within 90 days. This timeline is patently unrealistic even where some element of abbreviated licensing assessment is employed. Many statutes do not include a specified number of days. Given the scope of these investigations, if the drafters desired to specify a maximum number of days the statute should have included an extension provision for good cause shown.

Rulemaking: Under HB 678 rulemaking authority was not exclusive to the Authority. In a nuanced departure from the majority approach, the Director of the DGE was also authorized to adopt rules with the approval of the Authority.

Regulatory Enforcement: In a significant departure from standard practices which reserve regulatory enforcement authority exclusively to a gaming agency or lottery, HB 678 designated the Authority as the "primary agency" for regulatory enforcement but allowed concurrent prosecution of regulatory enforcement

matters by the Attorney General, county or city attorneys, sheriffs or their deputies or police officials in towns. The Authority was authorized to appoint gaming investigators to perform regulatory prosecutions and was authorized to suspend or revoke after hearing in accordance with RSA 541-A or impose fines or penalties. Appeal was to be in accordance with RSA 541-A.

Criminal Enforcement: HB 678 designated the Authority as the "primary agency" for criminal enforcement related to the enabling statute but allowed concurrent prosecution of criminal enforcement matters by the Attorney General, county or city attorneys, sheriffs or their deputies or police officials in towns. It accomplished this by delegating to DGE investigators all powers reserved for sheriffs in any county.

Limits on "technology providers": HB 678 limited the source of video lottery machines to three manufacturers. This is a minority approach closely associated with lottery operations. The vast majority of commercial gaming jurisdictions allow an open market for manufacturers and distributors willing to undergo the suitability assessment and pay the fees and costs associated with licensure. There are more than three dominant manufactures of slot machines and this limitation would have been materially adverse to the competitiveness of the gaming product offered in New Hampshire.

Casino Service Industries: HB 678 contained no provision for licensure of gaming related service providers like redemption kiosk, slot data system providers and junket representatives. These providers should be licensed to the same standard as a technology provider. A recommended approach to the licensing of this category of vendor is provided in the narrative addressing SB 152, Omnibus Version at page 24.

Payout Percentage: HB 678 proposed a payout percentage of 92 % on an annual basis. For the reasons discussed with specificity at page 38 with regard to SB 152, Omnibus Version an actual or theoretical payout percentage this high would have been materially adverse to the competitiveness of the gaming product offered in New Hampshire.

House Bill 665

Like HB 678, House Bill 665 ("HB 665") was introduced on January 3, 2013. By its terms it proposed two new chapters: RSA 284-B, *Video Lottery Machines and Table Games* and RSA 287-H, *Table Games*. It also included substantive amendments to RSA 284:21 related to the Lottery Commission's oversight of video lottery machines and table games and RSA 172 related to the studies and programs administered by the Department of Health and Human Services related to problem gambling. The Bill's primary sponsor was Rep. Edmond D. Gionet (R- Grafton -5) and its co-sponsors were Representatives Robert W. Walsh (D-Hillsborough 1), Kenneth L. Weyler (R-Rockingham 13) and Herbert D. Richardson (R-Coos 4) and Senator Nancy F. Stiles (R-District 24). After limited consideration on March 7, 2013 HB 665 was determined by Committee to be inexpedient to legislate meaning it would not be passed over to the other chamber.

HB 665 sought to authorize two destination commercial casinos, one located in the White Mountains and one in a county that borders Massachusetts. Under HB 665 the primary regulatory authority over both video lottery machines and table games was to be the New Hampshire Lottery Commission ("Lottery"). A two-step approach was envisioned pursuant to which an applicant competed to be awarded a video lottery operator license by the Lottery to possess, conduct and operate video lottery machines and, on the basis of that license, was authorized to apply to the Lottery for a table game operation certificate to conduct table games. As drafted there was no explicit requirement that an operator licensee apply for a certificate.

By its terms HB 665 reflected the core policy decisions identified below. As will be discussed with greater specificity herein, the decisions in HB 665 related to separation of the video lottery machine and table game authorization processes, the potential reliance on an investigation conducted under the rules of the Racing and Charitable Gaming Commission for an operator licensee and an insufficiently robust assessment of third party providers of services related to table games all constitute weakness in HB 665 to be avoided in future proposals.

Type of Gaming: HB 665 followed the approach of the majority of jurisdictions and afforded an operator significant discretion over the management and operation of the gaming enterprise including ownership and operation of video lottery machines. Following a precedent set in many newer jurisdictions, under HB 665 the Lottery was slated to own and operate a central computer system utilized to communicate with, activate and disable video lottery machines.⁴⁵ As indicated above, under proposed RSA 287-H, table games were authorized for a destination casino pursuant to a table game operation certificate available only to a holder of a video lottery operator license. HB 665 was explicit that its table game requirements did not apply to charitable games of chance operated pursuant to RSA 287-D.

Limited Number of Licenses and Machines: HB 665 limited the number of operator licenses to two destination casinos subject to the geographic limitations cited. No explicit requirements or limits with regard to number of video lottery machines or table games were specified in the statute. Destination casinos were not defined to be resorts but the proposed statute clearly anticipated a scenario where a existing resort or location entered into an agreement with a person or entity to manage and operate video lottery machines at their location. Notwithstanding the minimum capital investment requirement specified below, as the statute allowed existing resorts and racetrack facilities to be destination casinos, capital investment would likely have been modest.

⁴⁵ The majority of slot machines in the United States, including those operated in Nevada and New Jersey, are not connected to a state operated central control computer system. Alternative internal controls and regulator access to the operator's slot management system can very effectively substitute for that functionality.

As noted above, the Bill inferred that a table game operation certificate was discretionary although presumably a proposal would have to incorporate table games to compete successfully for one of the two licenses. Where a certificate was issued, the statute placed no limitations on the number of table games.

Local Authorization: Like HB 678, HB 665 required a destination casino to be situated in a community that had affirmatively voted to adopt proposed RSA 284-B in accordance with rules that mirror those applicable to bingo and Lucky 7 under RSA 287-E. HB 665, however, added a provision that where a gaming licensee requested an action to adopt proposed RSA 284-B, the gaming licensee applicant was obligated to pay all costs associated with a vote on the question. No additional local authorization was required to add table games and the statute did not incorporate the petition for revocation available to the host community under HB 678.

Effective Tax Rate: Under HB 665 the video lottery licensee would remit its tax payments to the State Treasurer.

Video Lottery Machines - remitted weekly

49% of net machine income distributed as follows: ⁴⁶

Cost of administration of the chapter - no limits specified;
\$75,000 each fiscal year to the Department of Health and Human
Services to support problem gambling programs under RSA 172;
3% of total net machine income to the host municipality; and
Remainder of the 49% to the Highway Fund.

51% of net machine income - Operator Licensee

Following recent trends in taxing structures, non-cashable promotional credits were excluded from the calculation of net machine income. This exclusion is significant to operators as it facilitates their ability to cost effectively incent their players through promotional credits that activate play on a video lottery machine but do not convert to cash at the conclusion of play.

Table Games - remitted quarterly

8% of daily gross table game revenue for deposit in the Highway Fund; ⁴⁷ and,

92% of daily gross table game revenue - Operator Licensee.

⁴⁶ Under HB 665, net machine income is defined as ". . . all cash and other consideration utilized to play a video lottery machine at a facility licensee, less all cash or other consideration paid to players of video lottery machines as winnings. Non cashable promotional credits shall be excluded from the calculation.

⁴⁷ Under HB 665, gross table game revenue is defined as the total of cash or equivalent wagers received in the playing of a table game minus the total of (1) Cash or cash equivalents paid out to patrons as a result of playing a table game; (2) Cash paid to purchase annuities to fund prizes payable to patrons over a period of time as a result of playing a table game; and (3) Any personal property distributed to a patron as a result of playing a table game. "Gross table game revenue" does not include travel expenses, food, refreshments, lodging, or other complimentary services. This term does not include counterfeit money, tokens, or chips; coins or currency of other countries received in the playing of a table game, except to the extent that they are readily convertible to United States currency; cash taken in a fraudulent act perpetrated against a licensee for which the licensee is not reimbursed; or cash received as entry fees for contests or tournaments in which patrons compete for prizes.

License Application Fee: HB 665 contemplated awarding two operator licenses in accordance with a competitive process "determined" by the Lottery Commission and an unlimited number of technology provider licenses. The fees were as follows:

Operators

\$ 100,000 - to the Lottery to fund construction and regulatory oversight.

\$ 100,000 - to the Lottery for an initial operator license application deposit, if the cost to process the application exceeded that amount the Lottery was authorized to further assess the applicant.

\$ 50,000 - to the Attorney General for an initial operator license background investigation, if the cost of investigation exceeded that amount the Attorney General was authorized to further assess the applicant.

\$10,000,000 - due to the Lottery upon initial approval of an operator license.

\$ 1,000,000 plus the cost of investigation upon renewal of an operator license.

Technology Providers

\$ 100,000 - to the Lottery for an initial technology provider license application deposit, if the cost to process the application exceeded that amount the Lottery was authorized to further assess the applicant.

\$ 25,000 - to the Attorney General for an initial technology provider license background investigation, if the cost of investigation exceeded that amount the Attorney General was authorized to further assess the applicant.

\$ 50,000 - due to the Lottery upon initial approval of a technology provider license.

\$ 50,000 plus the cost of investigation upon renewal of a technology provider license.

Table Games

\$10,000,000 - initial authorization fee for a video lottery operator to obtain a table game operation certificate - any amount not used to support implementation of table games was to be remitted to the Highway Fund. No more than \$1,000,000 renewal fee payable at five year intervals.

Minimum Investment: Ten million dollars for construction or renovation of a destination casino.

License Term: Under HB 665, all licenses had a five-year term. In recognition of the cost of license renewals many jurisdictions are moving toward a longer license duration. Five years is within the norm.

Regulatory Structure: HB 665 bifurcated video lottery machines and table games as follows.

HB 665 placed all authority to license and regulate the installation, operation and conduct of video lottery machines with the Lottery and the Bill was drafted in the vernacular of lottery. It contained no reference to any delegation of authority to the Executive Director of the Lottery although it does not preclude a delegation. Under the Bill the Lottery was responsible for licensing operators, technology providers and key employees. There was no provision for licensing or registration of gaming and non-gaming related employees. Under the

Bill's provisions, operators fell into two categories - a destination casino that elected to install, operate and conduct video lottery machine gaming or a person or entity retained by a destination casino to manage or otherwise participate in the operation of video lottery machine gaming at a destination casino. Both categories were licensed to the same suitability standard. Under HB 665 the Lottery also selected, contracted for and managed the central computer system subject to technical standards but did not license the provider of that system.

As noted above, HB 665 treated table games in a materially different manner and authorized them via a table game operation certificate available only to a holder of a video lottery operator license. As was the case with video lottery machines, HB 665 anticipated that a video lottery operator licensee awarded a table game operation certificate might utilize a third party to manage, supervise or otherwise direct or provide equipment related to the operation of table games. By its terms it adopted the concept of a primary game operator and secondary game operator from RSA 287-D relating to charitable games of chance. In what can only be categorized as a material defect in the proposed regulatory scheme, HB 665 did not appear to require primary game operators or secondary game operators of table games to be subjected to the same standard of review as a technology provider related to video lottery machines. Instead, HB 665 appeared to place significant discretion with the Lottery to determine the suitability of these parties based on "any" criminal history or background check the Lottery might initiate through the State Police or "any" background investigation that the Lottery might initiate with the Attorney General.

Qualification Threshold: Licensing best practices in the gaming industry generally provide that all persons or entities that have a legal, beneficial or equitable ownership interest in, or are otherwise able to manage or control, the person or entity applying for a license must "qualify" as part of the license application of the person or entity. Each jurisdiction is somewhat nuanced but typically the threshold is a 5% ownership position (for example PA, NJ). HB 665 followed standard practices and required the qualification, for both operators and technology providers, of key employees, officers, directors, partners and trustees but deviated from standard practice by applying a more relaxed standard to shareholders or other holders of an ownership interest requiring qualification only where a person or entity owned more than 10% of a legal or beneficial interest in the applicant.

Background Investigations: For operators, technology providers and their respective key employees HB 665 generally incorporated a key check and balance on agency discretion and required the Lottery to refer the conduct of the background investigation outside the Lottery to an independent party, in this case the Attorney General. Under HB 665 the Attorney General conducted the investigation and made a specific suitability recommendation to the Lottery as to the fitness of the person or entity to be associated with video lottery machines.

As it relates to the investigative process, in addition to its problematic approach to table game authorization HB 665 incorporated a number of additional weaknesses, two of which if applied carelessly could have impacted the fairness of a competitive selection process.

- By its terms, HB 665 allowed the Attorney General to rely, for purposes of an operator license, on the results of a license investigation it conducted for a pari-mutuel licensee, meaning a entity licensed by the Racing and Charitable Gaming Commission ("Commission") to offer simulcast horse and dog racing, provided that investigation was conducted within 12 months of the filing of a video lottery machine operator license application " . . . to the extent the applicant's circumstances have not materially changed." While the Commission's application process, its licensing criteria and the scope of the investigation conducted by the Attorney General's Office on the Commission's behalf are arguably consistent with that applied in horse racing they are not

as robust as those commonly applied to commercial casino applicant's and the likely result, if the Lottery followed best practices in its rulemaking, would be that a Commission licensee able to avail itself of this exception would be held to a lower standard of review than other applicants for an operator license.

- HB 665 also included the relatively new concept of abbreviated licensing. Employed in many reputable jurisdictions, abbreviated licensing allows a licensing authority to make a specific finding, after study and comparison, that the licensing standards of another jurisdiction are substantially similar to its criteria and, on that basis, permits it to afford licensure in the comparable jurisdiction weight in its own licensing assessment. Best practice applications of abbreviated licensing allow the entity conducting the background investigation, under HB 665 the Attorney General, to determine whether any information it has separately developed should supersede or otherwise outweigh a license in good standing in a comparable jurisdiction. Consideration of a comparable license is part of the suitability assessment not in lieu of it most notably because jurisdictions rarely, in the absence of a specific memorandum of agreement with another jurisdiction, release their full investigative file on an applicant. As drafted HB 665 could be read to allow the Lottery to make a licensing determination on the basis of a license in a comparable jurisdiction without any involvement or consideration of the applicant by the Attorney General. Such a course of action is not recommended. Abbreviated licensing is a positive development that reflects the continuing standardization of licensing practices in the gaming industry. It should be employed, however, as a means of expediting the background investigation, not in lieu of it.
- HB 665 required the Attorney General to issue his suitability recommendation to the Lottery within 60 days. This timeline is patently unrealistic even where some element of abbreviated licensing assessment is employed. Many statutes do not include a specified number of days. Given the scope of these investigations, if a number of days was specified the statute should have included an extension provision for good cause shown.
- HB 665 required the Lottery to act on a license application within 180 days of receipt of a completed application. Many statutes do not include a specified number of days. Given the scope of these investigations, if a number of days was specified the statute should have included an extension provision for good cause shown.

Rulemaking: Following standard practices, HB 665 provided that the Lottery had rulemaking authority over both video lottery machines and table games consistent with the implementation of the statute.

Regulatory Enforcement: Under HB 665 the Lottery exercised exclusive responsibility for regulatory enforcement. The proposed statute did not sufficiently develop how a regulatory violation would be prosecuted.

Criminal Enforcement: HB 665 did not sufficiently allocate responsibility for criminal enforcement. It is important that jurisdiction over criminal enforcement matters on the gaming floor and in restricted areas of a facility be formally established within an enabling statute. Typically, gaming related criminal enforcement is within the jurisdiction of state police or the Attorney General and non-gaming related criminal enforcement is the responsibility of the local jurisdiction.

Employees: HB 665 contained no provisions for licensing or registration of non-key employees or independent contractors. Licensing or registration, as appropriate, of employees and independent contractors involved in operating departments (security, surveillance, internal audit, accounting, operations, information technology) is

a best practice. A recommended approach to employee licensing is provided in the narrative addressing SB 152, Omnibus Version at page 23.

Casino Service Industries: HB 665 contained no provision for licensure of gaming related service providers like redemption kiosk, slot data system providers and junket representatives. These providers should be licensed to a substantially similar standard as a technology provider. A recommended approach to the licensing of this category of vendor is provided in the narrative addressing SB 152, Omnibus Version at page 24.

Payout Percentage: HB 665 proposed an average payout percentage of 87 %. For the reasons discussed with specificity at page 38 with regard to SB 152, Omnibus Version an actual payout percentage at this level has the potential to be adverse to the competitiveness of the gaming product offered in New Hampshire.

Senate Bill 152, Omnibus Version

Senate Bill 152 was introduced on January 31, 2013. Although ultimately determined to be inexpedient to legislate on May 22, 2013, its Omnibus Version (5/16/13), which amended its Senate Version (3/14/13), developed and amplified concepts from both House Bills in the 2013 Legislative Session, most notably HB 665, as well as incorporated many regulatory best practices. As the Omnibus Version largely improved upon the Senate Version, this report will focus on the Omnibus Version ("SB 152-O").

SB 152-O proposed a new chapter RSA 284-B, *Video Lottery Machines and Table Games* along with substantive amendments to RSA 284:21 related to the Lottery Commission's oversight of video lottery machines and table games, RSA 172 related to studies and programs by the Department of Health and Human Services related to problem gambling and RSA 287-D related to the Racing and Charitable Gaming Commission's oversight of games of chance. It was sponsored by Senator Lou D'Allesandro (D-District 20) and had 13 co-sponsors, Senators Jim B. Rausch (R-District 19), Chuck W. Morse (R-District 22), Donna M. Soucy (D-District 18), Bette R. Lasky (D-District 13), Peggy Gilmour (D-District 12), Jeff Woodburn (D-District 1), Sam A. Cataldo (R-District 6) and Nancy F. Stiles (R-District 24) and Representatives Gary S. Azarian (R-District Rockingham 8), Kenneth L Weyler (R-District Rockingham 13), Patrick T. Long (D-Hillsborough 42), Robert L. Theberge (D-District Coos 3) and Laura C Pantelakos (D-District Rockingham 25).

In an effort to provide the Authority with recommendations and input in a manageable format in the report that follows WhiteSand identifies key elements in SB 152-O's regulatory approach, vets those elements for consistency with regulatory best practices and, where appropriate, enumerates options and alternatives to the approach reflected in the Bill.

SB 152-O chose a lottery centric model tasking the New Hampshire Lottery Commission ("Lottery") with authority to " . . .review, select and grant a license for one gaming location ". The license would have authorized no more than 5000 video lottery machines and 150 table games at a single location. As will be discussed with specificity herein, while many of SB 152-O's concepts and processes were significantly more developed than in its predecessor House Bills, especially as it related to problem gambling, political contributions and change in ownership, the Bill unfortunately extracted from HB 665 several weaknesses related to separation of the video lottery machine and table game authorization processes, substitution of a background investigation conducted for another purpose for the background investigation prerequisite to a gaming license and an insufficiently robust suitability assessment of third party providers of services related to table games. In addition, its attempt at integrating charitable games of chance into a commercial casino gaming environment is problematic at best and, at least in its present form, would likely have deleteriously impacted the desirability and value of a New Hampshire license opportunity.

Type of Gaming: SB 152-O enabled both video lottery machines and table games and in keeping with the majority approach afforded a licensee significant discretion over the management and operation of the gaming enterprise including ownership and operation of the video lottery machines. Following a precedent set in many newer jurisdictions, under SB 152-O state ownership and operation extended only to the Lottery contracting for and operating the central computer system utilized to communicate with, activate and disable video lottery machines.⁴⁸ In a serious departure from standard authorization practices, however, although the gaming licensee selected was eligible to conduct table game operations SB 152-O made issuance of a table game operation certificate to a selected licensee contingent upon its willingness to operate, or permit the onsite

⁴⁸ The majority of slot machines in the United States, including those operated in Nevada and New Jersey, are not connected to a state operated central control computer system. Alternative internal controls and regulator access to the operator's slot management system can substitute very effectively for that functionality.

operation of, games of chance by charitable organizations under RSA 287-D. In specific, SB 152-O required that at least 5000 SF of principal gaming area be set aside for charitable gaming and that there be a separate entrance to this space if architecturally feasible. Although the statute was somewhat ambiguous in this regard, it appeared that under its terms the Racing and Charitable Gaming Commission retained jurisdiction over any games of chance conducted at a gaming location. See Proposed 284-B:19.

Recommendation #1. Given the deficiencies cited herein in New Hampshire's existing regulatory approach to charitable gaming, especially as it relates to the suitability assessment applied to game operators in games of chance, to physically and operationally integrate games of chance into a commercial gaming sector was and remains ill advised. The cornerstone of a successful commercial gaming sector is public confidence. By its terms SB 152-O would have forced a gaming licensee's well regulated table game operation to co-exist in a single gaming location with, and to in fact compete with, a table game operation that appeared physically consistent but which was, in reality, radically different operationally and subjected to materially less robust licensing and operating regulations. As any legal distinctions would be largely lost on the gaming public, the licensee's reputation, and the public's overall confidence in its gaming product, would have been exposed to the vagaries of an operation within its boundaries largely outside its control. Given the realities of gaming regulation nationwide, a gaming licensee's relationships with charitable organizations and game operators in New Hampshire would have been subjected to scrutiny by regulating authorities in other jurisdictions with all of the costs and complications related thereto. While there may be opportunities for a well regulated commercial gaming sector to support or supplement the efforts of the charitable gaming sector, in its report to the Legislature the Authority is strenuously advised to recommend against any physical linkage between table games and charitable gaming.

Recommendation #2. If the Authority elects to advance a proposal that unbundles table games and charitable gaming in the form of games of chance, thus effectively permitting charitable games of chance to continue to be offered on a parallel track, it is urged to reconsider the efficacy of including in any future proposal a provision substantially similar to the adjusted charitable benefit concept at Proposed 284:6-b, *Duties of the Racing and Charitable Gaming Commission*. In lieu thereof the Authority might consider the creation of a fund, based on a percentage of gross gaming revenue (i.e. 1%), administered by the Racing and Charitable Gaming Commission, from which all charitable organizations meeting the criteria of RSA 287-D, whether or not they are currently offering games of chance, can compete for project specific annual grants. Another option to explore is Delaware's approach to charitable gaming that now includes charitable video lottery machines connected directly to the Lottery's central control computer system. See 29 Del. C § 4819A.

Limited Number of Licenses and Machines: SB 152-O sought the development of a single high end commercial casino and accordingly limited the number of operator licenses to one, it did not include geographic requirements or limitations. Unlike HB 665 which allowed the market to determine the number of video lottery machines or table games at each of its two destination casinos, however, SB 152-O limited video lottery machines to no more than 5000 and table games to no more than 150. See Proposed 284-B:9.

Recommendation #3. Where multiple licenses are available and a jurisdiction has a target number of machines and gaming positions per location it is advisable to incorporate exception language in the statute that allows the regulating entity to reallocate the games mix among the existing licensees where the statutory formula falls short in order to maximize revenue to the state. See Md. Code §9-1A-36. With a single license this option is not available and should it recommend in its report to the Legislature a single license with a game density comparable to SB 152-O, the Authority should be prepared to acknowledge, at least in the short run, that the maximum number of machines and player

positions may not be initially developed. The vast majority of successful casino operations in the Northeast, for example, Sands Casino Resort Bethlehem (discussed with greater specificity herein) have fewer than 5000 slot machines and 150 table games and it is common practice for operators to enter the market with a smaller footprint and to grow a facility as demand increases. If the desired result is a single high end commercial casino of a size and magnitude commensurate with the number of machines and gaming positions cited it will be critical that short term revenue projections do not anticipate the maximum level of build-out and that the cost of entry to the jurisdiction in the form of license fees, tax rate, sector subsidies and the cost of regulation permit an operator the margins necessary to drive the desired capital investment.

Local Authorization: Like HB 678 and HB 665, SB 152-O contained a prerequisite that a host community adopt proposed RSA 284-B in accordance with rules that generally mirror those applicable to bingo and Lucky 7 under RSA 287-E. Following HB 678, SB 152-O expressly provided that where a gaming licensee requested an action to adopt proposed RSA 284-B, the gaming licensee was obligated to pay all costs associated with a vote on the question.

Recommendation #4: SB 152-O astutely declined to incorporate the petition for revocation available to a host community under HB 678. Any proposal advanced by the Authority should treat a licensee's compliance with any commitments made to a host community as an explicit condition on the license. Conditioning a license, as SB 152-O anticipated at Proposed 284-B:18, ensures that the licensee's obligations to the host community are well defined and that compliance is more objectively assessed. Properly structured, an enabling statute should position the regulating authority to enforce the commitment to the host community through sanctions, suspension or revocation.

Effective Tax Rate: Under SB 152-O the effective tax rates were as follows.

Video Lottery Machines - 30% effective tax rate remitted daily as follows. See Proposed 284-B:22.

- 25% of net machine income⁴⁹ allocated as follows:
 - Cost of administration of the chapter for the Lottery and Attorney General including the cost of the central computer system: no limitations specified;
 - Balance of the 25% not required for administration of the chapter was to be paid over to the state treasurer and distributed as:
 - 45% to department of Transportation pursuant to a specified allocation scheme;
 - 45% to a newly created university and community college fund;
 - 10% to a north country economic development fund.
- 3% of net machine income to the host community;

⁴⁹ Under SB 152-O net machine income was defined as "... all cash and other consideration utilized to play a video lottery machine at a gaming location, less all cash or other consideration paid to players of video lottery machines as winnings. Noncashable promotional credits shall be excluded from the calculation.

- 1% of net machine income to municipalities abutting the host community' and,
- 1% to the Department of Health and Human Services to support programs related to problem gambling under RSA 172.
- 70% of net machine income - Gaming Licensee less any adjusted charitable benefit amount or gaming location charitable benefit amount due to the Racing and Charitable Gaming Commission.

Table Games - remitted daily. See Proposed 284-B:19

- 14% of daily gross table game revenue⁵⁰ to be deposited in an education trust fund; and
- 86% of daily gross table game revenue - Gaming Licensee

Recommendation #5. Following recent trends in taxing structure, under SB 152-O "noncashable promotional credits" were excluded from the calculation of net machine income. In addition, "promotional credits" were excluded from the calculation of gross table game revenue. These exclusions are significant to operators as they facilitate their ability to cost effectively incent their players through promotional credits that activate play on a video lottery machine or table game. Typically, if afforded at all, deductions are limited to noncashable promotional credits meaning credits that do not convert to cash at the conclusion of play. These deductions can have a significant impact on revenue to the state and the Authority is urged in its report to the Legislature to recommend treating table games consistent with video lottery machines and limit deductibility to noncashable promotional credits. This can be accomplished expressly or by authorizing rulemaking with regard to the deductibility of promotional credits. Some states like New Jersey place a cap on the amount of noncashable promotional credits that may be deducted in a year but as most competitor states, notably Massachusetts, have not invoked a statutory cap that course of action is not recommended.

License Application Fee: SB 152-O authorized one gaming license awarded in accordance with a competitive process administered by the Lottery. See Proposed 284-B:9,13. An unlimited number of technology provider licenses were authorized. See Proposed 284-B:16. Applicable fees were as follows:

Gaming License.

\$ 500,000 - to the Lottery for an initial gaming license application deposit, this amount was nonrefundable, if the cost to process the application exceeded that amount the Lottery was authorized to further assess the applicant.

⁵⁰ Under SB 152-O gross table game revenue was defined as the total of cash or equivalent wagers received in the playing of a table game minus the total of (1) Cash or cash equivalents paid out to patrons as a result of playing a table game; (2) Cash paid to purchase annuities to fund prizes payable to patrons over a period of time as a result of playing a table game; and (3) Any personal property distributed to a patron as a result of playing a table game and any promotional credits provided to patrons. "Gross table game revenue" does not include travel expenses, food, refreshments, lodging, or other complimentary services. This term shall not include counterfeit money, tokens, or chips; coins or currency of other countries received in the playing of a table game, except to the extent that they are readily convertible to United States currency; cash taken in a fraudulent act perpetrated against a licensee for which the licensee is not reimbursed; or cash received as entry fees for contests or tournaments in which patrons compete for prizes.

\$ 100,000 - to the Attorney General for an initial background investigation, this amount was nonrefundable, if the cost of investigation exceeded that amount the Attorney General was authorized to further assess the applicant.

\$80,000,000 - due to the Lottery upon initial approval of an gaming license; under the expressed terms of SB 152-O this amount was to be made available to the state in the fiscal year received.

\$ 1,500,000 - plus the cost of investigation upon renewal of an operator license.

\$ 600 per year fee per video lottery machine to the general fund.

Technology Providers.

\$ 100,000 - to the Lottery for an initial technology provider license application deposit, by inference this amount was refundable if not exhausted; if the cost to process the application exceeded that amount the Lottery was authorized to further assess the applicant.

\$ 25,000 - to the Attorney General for an initial technology provider license background investigation, by inference this amount was refundable if not exhausted; if the cost of investigation exceeded that amount the Attorney General was authorized to further assess the applicant.

\$ 50,000 - due to the Lottery upon initial approval of a technology provider license.

\$ 50,000 plus the cost of investigation upon renewal of a technology provider license.

Recommendation # 6. The \$80,000,000 gaming license fee is comparable to the \$85,000,000 sought by Massachusetts. Unlike HB 665 no additional fee was associated with a table game operation certificate. For a multiplicity of reasons stated herein, the Authority is advised to consider recommending in its report to the Legislature that any license fee assessed cover, and full authorize the operation of, both video lottery terminals and table games.

Recommendation # 7. The provision in SB 152-O that the gaming license fee be available to the state in the fiscal year received should be amplified in any future proposal advance by the Authority to expressly provide access to a portion of these funds to develop and fund the regulatory apparatus pre-opening.

Minimum Investment: SB 152-O required a minimum capital investment of \$425,000,000 exclusive of land acquisition, offsite improvements and license fees. This level of capital investment had to be achieved within 5 years of the grant of the gaming license. This minimum investment requirement is comparable to the \$500,000,000 minimum investment required by Massachusetts.

Recommendation #8. The five year timeline in SB 152-O on meeting the full minimum investment requirement is realistic and the Authority should consider recommending a provision to this effect in its report to the Legislature. Any gaming license issued should be conditioned on the licensee's compliance with specific benchmarks associated with the minimum investment requirement.

License Term: Under SB 152-O a gaming license has a ten year term and a technology provider license has a 5 year term. The terms for the central system provider and key employee licenses and non-key gaming

employee registration are unspecified. In recognition of the cost of license renewals many jurisdictions are moving toward a longer license duration and the 10 year duration proposed in SB 152-O is in keeping with industry norms. Massachusetts has elected an generous 15 year license cycle at least in part to justify its high cost of entry. Other states like New Jersey, for example, have moved toward a non-expiring license subject to a full update akin to a license renewal every five years.

Recommendation #9. Under all the facts and circumstances a ten year term for a gaming license with a full renewal application and \$1,500,000 renewal fee is firm middle ground on this issue. Likewise, five year term for all other licenses and registrations is within the norm. The Authority is advised to consider following SB 152-O.

Regulatory Structure:

SB 152-O placed general responsibility for licensing and regulating the installation, operation and conduct of video lottery machines and the operation of table games with the Lottery and the Bill was drafted in the vernacular of lottery. Under the terms of SB 152-O, an Administration and Enforcement Bureau ("Bureau") was created within the Lottery and it is this Bureau that was designated as the primary enforcement agent for regulatory matters. The Director of the Bureau was to serve as its executive and administrative head, was to be appointed by the Lottery and was to report to the Lottery's Executive Director. See Proposed 284-B:2, I, II.

SB 152-O contemplated the licensure of a single gaming licensee and unlimited technology providers⁵¹ and their respective qualifiers and key employees. For both of these two categories it developed fairly standard licensing criteria. The Bill also referenced the licensure of the central computer system provider and the registration of non-key *gaming* employees. In the latter two areas it articulated no category specific licensing or registration criteria relegating the development of licensing and registration criteria and processes to the rulemaking function although the standards for a technology provider are obviously a good fit for the central computer system provider. Of particular note, SB 152-O did not contemplate even a registration process for non-gaming employees like cocktail servers or facilities personnel whose duties may be performed on the gaming floor or in restricted areas. Finally, the Bill left undefined the status of persons it referred to as " . . . technology vendors not licensed pursuant to this chapter . . ." and vendors of associated equipment⁵² relegating these categories of vendor to rulemaking without benefit of a designation in the statute as to whether licensing or registration was to be expected. See Proposed 284-B:19.

SB 152-O treated table games in a materially different manner than video lottery machines. In specific, it provided that as a mandatory element of the gaming license application the applicant file a petition to conduct table games and that the granting of that petition take the form of a table game operation certificate triggering collection of a \$10,000,000 Table Game Fee. As noted above, SB 152-O expressly made a table game operation certificate contingent upon an agreement to operate, or permit the onsite operation of, games of chance by charitable organizations under RSA 287-D. Following HB 665, the Senate Bill anticipated that a gaming

⁵¹ SB 152-O defined "technology provider license " to mean the license issued by the lottery commission to a technology provider licensee which allows the technology provider licensee to design, manufacturer, install, distribute or supply **video lottery machines and table game devices** for sale or lease to a gaming licensee.

SB 152-O defined "table game device" to include: tables, cards, dice, chips, shufflers, tiles, dominoes, wheels, drop boxes, or any mechanical or electrical contrivance, terminal, machine, or other device approved by the commission and used or consumed in operation of or in connection with a table game.

⁵² SB 152-O defined "associated equipment" as any equipment or mechanical, electromechanical, or electronic contrivance, component, or machine used in connection with video lottery machines and/or table gaming, including linking devices, replacement parts, equipment which affects the proper reporting of gross revenue, computerized systems for controlling and monitoring table games, including, but not limited to, the central computer system, and devices for weighing or counting money.

licensee might utilize a third party to manage, supervise or otherwise direct the operation of table games. By its terms it pursued an adaptation of the concept of a primary game operator and secondary game operator in RSA 287-D relating to charitable games of chance and, like HB 665, did not expressly require primary game operators and secondary game operators of table games to be subjected to the same standard of review as a technology provider related to video lottery machines. Instead SB 152-O placed significant discretion with the Lottery to determine the suitability of these parties based on "any" criminal history or background check the Lottery might initiate through the State Police or "any" background investigation that the Lottery might initiate with the Attorney General. See Proposed 284-B:12, 284-B:19.

SB 152-O clearly incorporated a key check and balance on agency discretion and required the referral of background investigations outside the Lottery to the Attorney General at least for a gaming license and technology providers and their respective qualifiers including key employees. See Proposed 284-B:2, III. It also created within the Department of Safety a Gaming Enforcement Unit ("Gaming Enforcement") under the supervision of the Commissioner of the Department of Safety. Gaming Enforcement, which would be staffed at least in part by state police, was charged with investigating regulatory violations and initiating proceedings before the Commission related thereto. It was also charged with investigating crimes that involve a violation of the enabling statute that occur at a gaming location. See Omnibus Version at page 32.

Under SB 152-O the Lottery's Bureau would have maintained an onsite compliance presence concurrent with Gaming Enforcement. See Proposed 284-B:24.

Notwithstanding the general soundness of its approach there are any number of areas where the regulatory scheme envisioned by SB 152-O lacks sufficient clarity. Lines of responsibility and authority are blurred and the amount of concurrent authority envisioned arguably invites costly duplication of effort at best and regulatory paralysis at worst. In a number of areas the full scope of the licensing scheme is not outlined. While the rulemaking process is intended to amplify processes, an enabling statute should be explicit as to the standard of review for levels of employees and vendors.

Recommendation # 10. In its report to the Legislature, regardless of the regulatory structure recommended, the Authority should ensure that structural deficiencies of the nature cited herein with regard to SB-152-O are resolved.

- Additional clarity is required as to the relationship between the Executive Director of the Lottery and the Director of the Bureau. In specific, the statute should be explicit as to whether the Director of the Bureau reports to the Executive Director of the Lottery for administrative matters and daily supervision only or whether the Executive Director directs policy, purpose, responsibility or authority for the Bureau or plays any role with regard to the salary or termination of the Director. The statute's designation of the Bureau as the primary enforcement agent for regulatory matters infers a degree of autonomy in the Director and it will be essential for the efficient operation of the Bureau that lines of authority be clear.
- Additional clarity is required as to the duties and responsibilities of the Attorney General and Gaming Enforcement. While it was an important improvement for the Omnibus Version to have clarified the Attorney General's responsibility for background investigations and the suitability recommendation, the language of Proposed 284-B:2, III blurs lines of responsibility and invites unrestricted and unwarranted redundancies in regulatory and criminal oversight. Further reconciliation is required as to the apportionment of responsibilities between the Bureau, Gaming

Enforcement and the Attorney General for regulatory enforcement and between Gaming Enforcement and the Attorney General for criminal enforcement. Notably, Proposed 284-B:24 provided that the Lottery would maintain an onsite compliance presence in addition to Gaming Enforcement. In the section creating Gaming Enforcement, for example, the Bill expressly provided that Gaming Enforcement would initiate proceedings before the Lottery for regulatory violations. Can the Bureau also do that? Will it have its own legal staff?

- If cooperation and information sharing language is incorporated into an enabling statute it should be required of all parties authorized concurrent jurisdiction. The language of Proposed 284-B:2, III imposed obligations in this regard on the Lottery and State Police that were not imposed on the Attorney General.
- As noted above, SB 152-O treated table games in a materially different manner than video lottery machines. Its incorporation of the concept of a primary game operator and secondary game operator from RSA 287-D relating to charitable games of chance and its failure to hold such persons to the same standard of review as a technology provider is a material weakness in its overall approach. The focus of SB 152-O was a single high end casino. That infers a first rate gaming company and a first rate gaming company operates its own table games they do not, and many times are precluded by regulation from, contract out a table game operation. Note: Those jurisdictions that permit a casino licensee to utilize a management company typically license the management company to the same standard as the casino licensee.
- SB 152-O made no provision for registering employees that do not fit the non-key *gaming* employee definition. Oftentimes persons deemed non-gaming like facilities personnel or cocktail servers in the normal course of their duties have access to restricted areas and the gaming floor. On that basis the preferred course of action is a basic disclosure and registration requirement. Many jurisdictions follow a two tier approach to employees with gaming employees, like dealers and cashiers, subjected to a realistic licensing scheme or a higher tier of registration than employees that do not handle assets or proceeds like cocktail servers and facilities personnel. In its report to the Legislature the Authority is urged to recommend a two tiered approach to non-key gaming employees and to recommend that the Attorney General perform any background check related to a license. The primary regulating entity, upon review of a criminal history check run by the Division of State Police, may accept a registration without the involvement of the Attorney General.
- SB 152-O failed to develop a comprehensive licensing or registration scheme for vendors doing business with a gaming licensee. While to varying degrees SB 152-O addressed associated equipment, video lottery machines and table game devices it failed or elected not to address non-technical vendors like junket enterprises and representatives, money transmitters and vendors of non-gaming related services like consultants, contractors etc. It is a common practice to incorporate a reasonable level of scrutiny of persons doing business with a gaming licensee into a regulatory scheme. New Jersey, for example, utilizes a three level casino service industry license/registration approach. The top level of scrutiny is applied to a casino service industry enterprise license applicant- this license applies to a company that offers goods and services directly related to casino or gaming activity including gaming

equipment manufacturers, suppliers and repair companies. This level of review also applies to any company, regardless of the nature of the goods or services, permitted a revenue share with a casino licensee such as an internet service provider. SB 152-O's technology provider licensing criteria mirrors this level of review. A mid-level of review is applied in New Jersey to an ancillary casino service enterprise applicant. An example would be money transmitter or other financial transaction company that performs routine services like check cashing and credit card advance services for a casino licensee. The lowest level of review would apply to a vendor registrant applicant such as a consulting company like WhiteSand or a service provider like a bakery or laundry service. Another variation on this type of scheme is to allow the dollar amount of business conducted by a vendor with the gaming licensee to drive licensing or registration for vendors of non-gaming goods and services. In its report to the Legislature the Authority is urged to recommend a broader approach to vendors and to recommend that the Attorney General perform any background check related to a license. The primary regulating entity, upon review of a criminal history check run by the Division of State Police, may process a registration application without the involvement of the Attorney General.

Alternative Regulatory Structures

As an element of this report WhiteSand has been tasked with advising on alternative approaches to regulatory structure. Distilled to its essence, SB 152-O advanced a form of lottery centric, dual agency regulatory scheme with the Lottery maintaining responsibility for license issuance, adjudication of regulatory violations and rulemaking, its Bureau responsible for compliance, audit and certification of revenue, the Attorney General responsible for background investigations and Gaming Enforcement responsible for regulatory investigations and gaming related criminal enforcement. Conceptually SB 152-O comports with best practices in that it ensures clear segregation of the investigatory and adjudicatory functions. With resolution of the above referenced issues, inconsistencies and concerns, it is a workable approach. There are, however, alternatives that are equally valid that might, under all the facts and circumstances, constitute a better fit for New Hampshire. As the Authority is charged with examining all viable options and alternatives, in the course of its due diligence it is urged to examine the following three options.

Structural Option #1

A variation on SB 152-O's approach that the Authority might consider is to overlay the general scheme of SB 152-O with a gaming location commission somewhat analogous to Maryland's Lottery Facility Location Commission. See Md. Code § 9-1A-36. With one or a very limited number of gaming locations, it may be more palatable to appoint a new body to conduct the competitive process from among a group of qualified applicants rather than allow an existing agency that is also a competitor for gambling dollars, to conduct that process. Qualified applicants would be persons determined to be suitable by the Lottery after receipt of a suitability recommendation by the Attorney General.

A gaming location commission might consist of five members appointed subject to enumerated experiential and conflict criteria as follows:

- Three by the Governor
- One by the President of the Senate
- One by the Speaker of the House

The Chair should be a gubernatorial appointment; balancing party representation on the Board should be considered.. Members could be part time, appointed for a defined term, for example, three years with little to no compensation other than expenses. They should be subject to a gaming industry specific ethics policy and at least a two year post employment restriction and an objective removal scheme might involve the Governor, in consultation with the President of the Senate and the Speaker of the House, for inefficiency, misconduct in office or neglect of duty.

Structural Option #2

Although SB 152-O, like HB 665, declined to follow the state owned and operated model adopted in Rhode Island and embraced in HB 678, that model remains an viable option albeit not a recommended one. In considering this model the Authority should be aware that *in practice* the state owned and operated model could run the full spectrum from New Hampshire declining the quality management and expertise available in this very sophisticated industry - and the revenue that expertise can generate - through to it paying lip service to the "state operated" mandate and actually taking managerial dictation from the licensee. Of particular relevance is the recent experience of Maryland. It initially elected to own both its video lottery terminals and central control computer system. A scant four years into it, driven by the model's upfront capital demands and operational considerations, it is actively extracting itself from terminal ownership with the expectation going forward of only retaining an interest in its central control computer system.

Structural Option #3

In many respects SB 152-O reflects an evolution of the lottery centric model initially proposed in HB 665. In its creation of an Administration and Enforcement Bureau within the Lottery, the appointment of a Director for that Bureau, and in its specific designation of the Bureau as the primary enforcement agent for regulatory matters there is tacit recognition of two facts: (1) that regulation of commercial casino gaming is materially different than regulation of a state owned and operated Lottery and (2) that the Lottery does not have an existing technical, audit or compliance staff readily cross trained and cross purposed to oversee a casino operation. These are not criticisms of the Lottery, they are simply realities. As with all state run lotteries, operation and promotion are its dominant fortes, regulation is largely in the form of contract administration. While there are likely economies of scale to be derived from the Bureau reporting through the Lottery these are almost all on the administrative side of that agency and are associated with office space, human resources, payroll, revenue collection and distribution.

Following the approach of many newer jurisdictions like Pennsylvania and Maryland, SB 152-O envisioned utilizing a central computer system to communicate with video lottery machines for purposes of information retrieval, retrieval of win and loss data and state activation and disabling. The primary purpose of this system would be to determine net machine income for tax assessment purposes. Generally, this hardware and software is physically and operationally independent of any hardware or software presently utilized by the Lottery and, as a result, there are few, if any, operating economies of scale between lottery operations and video lottery machine operations. WhiteSand is currently exploring whether there are any recent technical developments that invalidate this assumption and will report its findings to the Authority under separate cover.

Viewed in isolation the Bureau resembles a gaming agency and the terms of SB 152-O are readily converted to a gaming agency model. The roles of the Attorney General and Gaming Enforcement could remain largely intact and a Gaming Control Board could perform the functions assigned under SB 152-

O to both the Lottery and its Bureau meaning that the newly created Board would undertake license issuance, adjudication of regulatory violations, rulemaking, compliance, audit and revenue certification, collection and distribution. The newly created Gaming Control Board would appoint a director who would report to its Chair for administrative matters and daily supervision only and to the entire Board on matters of policy, purpose, responsibility or authority and the Board would control the salary and termination of the director as well as the appointment. Here again, the removal of an existing competitor agency like the Lottery from the gaming license award process might be attractive to lawmakers reluctant about an overconcentration of power in a single commission or executive director. Even with a limited number of gaming locations, there is no rational basis for assuming that a gaming agency is cost prohibitive. Regardless of whether a gaming agency model or a lottery centric model is elected, the start up costs will be comparable - the central computer system will need to be acquired and manned, office space secured, additional administrative infrastructure employed and personnel acquired with the expertise and skill sets required to oversee a commercial casino operation. In exploring this option the ability of the Department of Revenue Administration to assist a gaming agency with tax collection and/or distribution should be explored.

Similar to the gaming location commission option, a Gaming Control Board could consist of five members appointed subject to enumerated experiential and conflict criteria as follows:

Three by the Governor
One by the President of the Senate
One by the Speaker of the House

The Chair should be a gubernatorial appointment; balancing party representation on the Board should be considered. At least the Chair should be full time, all members should be compensated and appointed for a defined term, for example, four years that is staggered initially. Board members should be subject to a gaming industry specific ethics policy and at least a two year post employment restriction and an objective removal scheme might involve the Governor, in consultation with the President of the Senate and the Speaker of the House, for inefficiency, misconduct in office or neglect of duty.

If a gaming agency is elected all terminology should be revised to reflect the vernacular of the casino industry starting with references to slot machines and manufacturers, casino service industries or vendors. This is a relatively straight forward process and will not materially delay any progress toward a viable recommendation.

Qualification Threshold: Licensing best practices in the gaming industry generally require that all persons having a legal, beneficial or equitable ownership interest in, or who are otherwise able to manage or control, the person applying for a license must "qualify" as part of the license application of that person. Each jurisdiction is somewhat nuanced but typically the threshold is a 5% ownership position (for example PA, NJ). SB 152-O followed standard practices and required the qualification, for both gaming licensees and technology providers of officers, directors, partners and trustees and any shareholder, limited liability company member or other holder of more than 5% of a legal or beneficial interest in the applicant. See Proposed 284-B:12 and 284-B:16. These base requirements were further amplified in Proposed 284-B:14 to include ". . .any other individual or entity determined by the lottery commission to exercise control of the applicant either individually or in the aggregate through one or more entities." Note: SB 152-O at Proposed 284-B:16 appears to have omitted a reference to limited liability company members in its qualification provisions related to technology providers.

Recommendation #11. The qualification threshold articulated in Proposed 284-B:12, at 5%, is consistent with best practices and the Authority is advised to recommend this threshold be applied to all license categories.

Background Investigations: For a gaming licensee, technology providers and their respective qualifiers and key employees SB 152-O generally incorporated a key check and balance on agency discretion and required the Lottery, after determining an application to be complete, to refer the conduct of the background investigation outside the Lottery to an independent party, in this case the Attorney General. Under SB 152-O the Attorney General conducted the investigation and made a specific suitability recommendation to the Lottery as to the fitness of the person or entity. As is the case in the majority of jurisdictions, the Lottery was required to consider, but was not bound by, the Attorney General's recommendation. SB 152-O contained no expressed prohibition on the outsourcing by the Attorney General of a background investigation and presumably such services would be construed as consulting in nature and thus covered by Proposed 284-B:7.

SB 152-O, at Proposed 284-B:17, III, included the concept of abbreviated licensing for all license categories including the gaming license. Employed in many reputable jurisdictions, abbreviated licensing allows a licensing authority to make a specific finding, after study and comparison, that the licensing standards of another jurisdiction are substantially similar to its criteria and, on that basis, permits it to afford licensure in the comparable jurisdiction weight in its own licensing assessment. Best practice applications of abbreviated licensing allow the entity conducting the background investigation, under SB 152-O the Attorney General, to determine whether any information it has separately developed should supersede or otherwise outweigh a license in good standing in a comparable jurisdiction. As drafted SB 152-O could be read to allow the Lottery to make a licensing determination on the basis of a license in a comparable jurisdiction without any involvement or consideration of the applicant by the Attorney General.

Recommendation #12. Abbreviated licensing is a positive development in regulatory practices that reflects the continuing standardization of licensing criteria in the gaming industry. In its report to the Legislature the Authority should recommend abbreviated licensing but should frame the recommendation to ensure it is utilized as a means of expediting the background investigation not in lieu of it. Utilized carelessly, abbreviated licensing can negatively impact the fairness of the licensing scheme especially a competitive selection process. Care should be taken that the comparable license the applicant holds is given weight in the suitability assessment not substituted for it. From a practical perspective this is necessary because while a jurisdiction will confirm that a person is licensed in good standing rarely, in the absence of a specific memorandum of agreement with another jurisdiction, do they release their full investigative file on an applicant.

Recommendation # 13. The Authority should consider recommending against abbreviated licensing for gaming license applicants. The competitive process associated with this category of license applicant distinguishes it significantly from other categories of license applicant. In a competitive process, any determination by an issuing authority that a jurisdiction has a licensing scheme that is or is not similar to that imposed in New Hampshire will invite litigation among losing competitors and likely delay the project that is awarded the gaming license.

Recommendation #14. The Authority should consider recommending against the inclusion in any future proposal of any variation of the exceptions included in HB 665 and SB 152-O with regard to reliance on a prior investigation. These types of broad exceptions are ill advised especially where a competitive process is anticipated. SB 152-O, for example, provided in pertinent part:

The attorney general, *in his or her sole discretion*, may rely on the results of a previous investigation of the applicant in this or another jurisdiction if (i) such previous investigation is deemed to be of similar scope and subject to similar safeguards, (ii) the previous investigation was conducted within the 12 months prior to the application filing, and (iii) the applicant's circumstances have not materially changed. The attorney general shall also take into consideration as evidence of fitness a letter of reference or sworn statement of good standing produced pursuant to RSA 284-B:12, I(b)(8). See Proposed 284-B:14, III.

SB 152-O provided this option to the Attorney General only for a gaming licensee. While an exhaustive comparison of New Hampshire licensing criteria for other professions and industries is outside the scope of this report, it is unlikely the any other licensing investigation conducted by the Attorney General, including that performed for a simulcast licensee on behalf of the Racing and Charitable Games Commission, involves an application process, licensing criteria or a scope of investigation "similar" to that commonly applied to a commercial casino applicant or commensurate with that envisioned by SB 152-O. Likewise, the likelihood of the Attorney General being able to meaningfully rely on a gaming related investigation in another jurisdiction is relatively low as jurisdictions do not typically release their full investigative files.

Recommendation # 15. SB 152-O required the Attorney General to issue his suitability recommendation to the Lottery within 120 days. It further provided for an extension on the timeline for good cause. The language was unclear as to whether the Lottery was obligated to formally act on an extension. A comparable timeline, with a clarified extension provision, should be incorporated into the Authority's recommendations to the Legislature. See Proposed 284-B:16.

Recommendation #16. SB 152-O stated that the application of an applicant not selected for the gaming license would be denied. The Authority should ensure that any proposal it advances references "denied - competitive process" rather than "denied" so that it is clear that these applicants were determined to be suitable and simply did not get the award. This is important because a denial of a license has serious ramification in other jurisdictions where these applicants do business. See Proposed 284-B:15.

Rulemaking: Following standard practices, SB 152-O provided that the Lottery exercise rulemaking authority with regard to both video lottery machines and table games consistent with the implementation of the statute.

Recommendation #17. Generally SB 152-O provided a good template for the scope of rulemaking. The Authority is advised to consider recommending in its report to the Legislature that the following provisions be added to those already included into SB 152-O. See Proposed 284-B:3.

- The enabling statute should not reference rulemaking guided by the International Association of Gaming Regulators. Rulemaking should be specific to New Hampshire and there should be no inference that the Association's recommendations must be followed.
- Proposed 284-B:3, I (q) requires rulemaking with regard to a gaming licensee's duty to cooperate with the Department of Resources and Economic Development on advertising. The Authority should explore substituting a requirement that a gaming licensee advertise consistent with the Department's programs and that the gaming regulating entity retain jurisdiction over any determination as to whether advertising is consistent.

- In keeping with best practices, Proposed 284-B:3, I (r) requires a licensee to maintain a self exclusion program. The preferred course of action, especially where there is more than one gaming location, is for the state to maintain and administer the program meaning that a person would register to self exclude with the gaming regulating entity and that entity would communicate the self exclusion to its licensees. Given the nature of play associated with games of chance under RSA 287-D, the Authority might consider recommending that a self-exclusion program cover games of chance locations in cooperation with the Racing and Charitable Gaming Commission.
- In keeping with standard practices, Proposed 284-B:3, I (z) prohibits the direct input of a credit card into a video lottery machine or table game device. It further expressly permits use of credit cards for non-gaming related purchases or services. Gaming operators in many well regulated jurisdictions utilize the services of money transmitters like Global Cash Access to facilitate *gaming related* check cashing, credit card advance and debit card withdrawal services. Typically these service providers have locations or kiosks just off the gaming floor. The Authority should provide for rulemaking related to these service providers.
- Any rulemaking provision should include a reference to rules relating to the security of a gaming location and the safeguarding of assets, employees and the gaming public. This will ensure that there is no question that the regulating entity may, via rulemaking, require robust security and surveillance functions.
- Any rulemaking requirement associated with a licensee's system of administrative and accounting controls over video lottery machines and table game operations should explicitly address whether the regulating authority will accept a filing of the system of internal controls and procedures or will require prior approval of same. In lieu of a prior approval requirement the Authority should consider requiring the following: (1) An attestation by the chief executive officer or other delegated individual with a direct reporting relationship to the chief executive officer attesting that the officer believes, in good faith, that the submitted internal controls conform to the requirements of the chapter and the regulations, (2) An attestation by the chief financial officer or other delegated individual with a direct reporting relationship to the chief financial officer attesting that the officer believes, in good faith, that the submitted internal controls are designed to provide reasonable assurance that the financial reporting conforms to generally accepted accounting principles in the United States and complies with applicable laws and regulations, including the chapter and the regulations, and (c) A report, for at least the initial submission, from an independent registered public accounting firm licensed to practice in New Hampshire. The report should express an opinion as to the effectiveness of the design of the submitted system of internal controls over financial reporting and should further express an opinion as to whether the submitted system of internal controls materially deviates from the requirements of applicable laws and regulations, including the chapter and regulations. Note: For a new jurisdiction the attestation/CPA opinion approach is preferable as staff do not typically have the expertise initially to conduct a meaningful review of internal controls.

- Any rulemaking provision should also include a catch all provision authorizing promulgation of such regulations as may be necessary to fulfill the policies of the chapter.

Proposed 284-B:3, II addressed the timing on rulemaking. Many emerging jurisdictions, like Maryland and Pennsylvania, did not commit to a timeline and Massachusetts has not as yet advanced a full suite of operating regulations. Licensing regulations involve the suitability of the person authorized to conduct gaming. Operating regulations involve the integrity, reliability and auditability of the gaming operation that person conducts. Operating regulations typically involve, but are not restricted to, minimum internal control standards, technical standards for video lottery machines and table game devices, standards and controls over gaming equipment, rules of the games, security, surveillance, facility requirements, junkets, complimentaries, liquor, issuance of credit, self-exclusion and exclusion of minor and intoxicated persons.

The content of a well crafted statute will signal to potential operators everything they need to know about the regulatory environment New Hampshire is offering. Every aspect of the subsequently developed regulatory scheme must be framed within the statute. If a statute is crafted carefully, with clear lines of responsibility and authority and is meticulous in its definitions, there will be few surprises in the subsequently developed rulemaking for an experienced operator. It is not unusual or problematic for a competitive selection process to run concurrent with the development of operating regulations as is currently the approach in Massachusetts and was the case in Pennsylvania.

It is of considerable value to have competing applicants and newly retained agency staff participate in the comment period attendant to the adoption of all regulations, especially operating regulations. It provides both sides an opportunity to understand the operation the applicant intends to conduct and the dialogue between regulator and the regulated community, if approached in good faith, generally yields well defined regulatory expectations that are meaningful without being burdensome. The exercise is an important learning tool for both sides and helps equip the regulating agency with the ability to actually implement its regulatory scheme.

Recommendation #18. If the Authority elects in its report to the Legislature to recommend incorporation of a timeline into any future proposal the following language should be considered.

The [regulating entity] shall initiate the rulemaking process, for both licensing and operating regulations, immediately upon the effective date of this chapter. The [regulating entity] may, in its discretion, initiate rulemaking in 2 phases by relying on the interim rulemaking authority in RSA 541-A:19. Interim licensing regulations and associated application forms shall be adopted within 120 days of the effective date of this chapter or any date extended by the [regulating entity] upon a finding of good cause. In no event may a request for applications occur prior to adoption of interim licensing regulations. Interim licensing and operating regulations shall be adopted within one year of the effective date of this chapter or any date extended by the [regulating entity] upon a finding of good cause. In no event may a license, including a gaming license, be issued prior to the adoption of, at a minimum, interim licensing and operating regulations. In no event may a gaming licensee commence operation until the Commission has adopted final rules.

Note: The "good cause" language suggested is important to development and implementation of a comprehensive regulatory scheme. The inflexibility of the language in Proposed 284-B:4, IV, which required adherence to timelines unless there is "no alternative" will likely frustrate efforts to do quality rulemaking.

Regulatory Enforcement: Following standard practices, under SB 152-O the Lottery, through the Bureau, had sole and exclusive regulatory authority and, after hearing, was authorized to impose sanctions, issue a cease and desist order or suspend or revoke a license. As noted in Recommendation #10 some clarification is required as to the seemingly concurrent jurisdiction of the Bureau and Gaming Enforcement for investigation of regulatory violations.

Criminal Enforcement: Under SB 152-O, Gaming Enforcement was to be on site concurrent with the Bureau and would be staffed at least in part by state police. As a result, Gaming Enforcement would be readily available to investigate crimes that may involve a violation of the enabling statute and the rules and gaming offenses promulgated thereunder that occur at a gaming location. Under SB 152-O gaming location is broadly defined to include nongaming structures related to the gaming area. Gaming area is broadly defined to include land, buildings, structures and any portion thereof approved by the Lottery.

Recommendation #19. SB 152-O incorporated a streamlined approach to criminal enforcement and the Authority is advised to consider incorporating this structure into its recommendations to the Legislature.

Leases Involving Gaming Locations: SB 152-O required all persons having a legal, beneficial or equitable ownership interest in, or otherwise able to manage or control the owner of a gaming location to qualify and further provided that where the owner of a proposed gaming location was not an affiliate of the gaming license applicant, that the lease agreement be submitted as an element of the gaming license application.

Recommendation #20. The Authority is advised to consider including in its report to the Legislature a recommendation that submission of any lease or functionally equivalent agreement related to a gaming location in every case be submitted as an element of the gaming license application not just where there is an absence of an affiliate relationship. It is further advised to frame this requirement in terms of establishing whether the lease arrangement is commensurate with fair market value or in fact creates an equity or other ownership interest that would otherwise trigger a qualification requirement under the statute. See Proposed 284-B:12

Open Records:

Recommendation #21. The Authority is urged to obtain a written opinion from the Attorney General as to the impact of any open records requirements it recommends to the Legislature. While it is appropriate to have an inference in favor of access to public records by its very nature a gaming regulating entity will be privy to an inordinate amount of background and character information, statements of personal worth, other forms of financial statement and records relating to ownership, income, expenses, recapitalizations, financing and changes in control. It will also have full and unfettered access to proprietary accounting and internal control procedures, security and surveillance protocols, financial performance and marketing data that, if available for public inspection, could place its gaming licensee at significant risk and competitive disadvantage.

Transfer of License: SB 152-O included provisions addressing the transfer of a gaming license, the transfer of a controlling interest in a licensee and the transfer of an interest in a licensee. Prior Lottery approval was required only with regard to a license transfer and with regard to a controlling interest.

Recommendation #22. Gaming licenses are not typically transferred and it is ill advised to offer such an option. Where a sale or other conveyance is contemplated, the acquiring entity steps forward for licensure in its own right. The Authority is advised to consider recommending that transfer of a

controlling interest require prior approval by the regulating entity and that "controlling interest" be a defined term (see footnote below)⁵³. Any transfer triggering qualifier status, meaning an ownership position of 5% or more, should be subject to prior approval.

License Application Requirements:

Recommendation #23. With regard to license application requirements, the Authority should consider the following.

- The Authority should consider recommending against any type of requirement similar in form to Proposed 284-B:12, (b)(12) that mandated that an applicant provide child care for patrons. Child care for employees is important, child care for patrons is not a standard requirement and is often cited as incenting problem gambling.
- The Authority should consider requiring an applicant, when citing projected employment numbers for a future gaming location, to break projected employees down by full time and part time. This will ensure that the accompanying benefit projections are meaningful.
- The Authority should consider recommending against any type of requirement similar in form to Proposed 284-B:12, I(f) that required an applicant to submit information about its internal security and accounting controls as an element of the license application. Development of a system of internal control is a costly and expensive process and its development in the context of a competitive selection process is unwarranted. This requirement was included in the Pennsylvania statute but in practice it was not implemented as it was premature and would have been unreasonably burdensome.
- The Authority is advised to reconsider incorporating SB-152-O's impacted live entertainment venue concept into a future proposal. The process and determinations associated with this concept will involve considerable rulemaking and administration. A limitation on the number of seats in an entertainment venue, for example SB 152-O's 1500 seat limit, could be sufficient to mitigate any impact especially where a single or limited number of venues is under consideration. Although Massachusetts is pursuing this concept it is pursuing a gaming footprint considerably larger than that contemplated by New Hampshire.

License Determination Process: Proposed 284-B:15 provided that an applicant may not cross examine witnesses of a competing applicant.

Recommendation #24. If not provided for is RSA 541-A, the Authority should consider incorporating into its recommendations to the Legislature a rulemaking requirement aimed at

⁵³ In Pennsylvania, 4 Pa. C.S. § 1103 defines "controlling interest" as: For a publicly traded domestic or foreign corporation, a controlling interest is an interest in a legal entity, applicant or licensee if a person's sole voting rights under State law or corporate articles or bylaws entitle the person to elect or appoint one or more of the members of the board of directors or other governing board or the ownership or beneficial holding of 5% or more of the securities of the publicly traded corporation, partnership, limited liability company or other form of publicly traded legal entity, unless this presumption of control or ability to elect is rebutted by clear and convincing evidence. For a privately held domestic or foreign corporation, partnership, limited liability company or other form of privately held legal entity, a controlling interest is the holding of any securities in the legal entity, unless this presumption of control is rebutted by clear and convincing evidence.

permitting a competing applicant to raise and file an objection during the license determination hearing. The Pennsylvania rule addressing the filing of an objection is cited in the footnote below.⁵⁴

Video Lottery Machines:

Proposed 284-B:21, V follows the regulatory best practice of requiring a video lottery machine to be tested and certified by an independent testing laboratory.

Proposed 284-B:21, VI requires a video lottery machine to ". . .provide a payoff of an average of at least 90%, except that progressive jackpots shall have a payoff of an average of at least 85%".

Recommendation # 25. Regulatory best practices dictate that in addition to a video lottery machine all equipment, systems and software utilized to collect, monitor, interpret, analyze, authorize, issue, redeem, report and audit data with regard to activity at a video lottery machine also be tested and certified for compliance with applicable technical standards adopted by regulation. It is essential that any proposal advanced by the Authority include this requirement. Products almost universally subject to testing and certification are the central computer system, slot data systems and casino management systems, ticketing systems, promotional play systems, player tracking systems, ticket redemption units, automated jackpot machines, external bonusing systems and progressive controllers.

Recommendation # 26. In its report to the Legislature, the Authority should consider recommending the utilization of multiple independent test laboratories subject to a certification process. Larger regulatory entities like those in New Jersey and Pennsylvania maintain their own testing laboratories, others like Mississippi and Nevada operate a hybrid model where the regulating entity maintains its own testing laboratory but outsources testing at its discretion to an independent testing laboratory. Still others like Maryland rely strictly on the services of an outside independent testing laboratory. Independent testing laboratories test and certify on behalf for the regulating entity in accordance with that jurisdiction's specific technical standards adopted by regulation. Long standing convention dictates that the laboratories invoice the manufacturers directly for testing services notwithstanding that the actual work is technically conducted for the regulating entity.

Jurisdictions take two approaches to independent testing laboratories. Many require them to be licensed. New Jersey, for example, requires an independent testing laboratory to have the highest form of vendor license - a casino service industry enterprise license. Other states, for example, Maryland, certify them to do testing and certification for the regulating entity on the basis that they have no direct contractual relationship with a gaming operator. Where a certification approach is elected, the certification usually requires that the testing laboratory demonstrate that it, at a minimum:

⁵⁴ 58 Pa. Code § 441a-7(t) provides as follows: An applicant may raise an objection to the conduct of the hearing, procedure, process or rulings of the Board as it relates to its own hearing **or to the hearing of a competitive applicant as follows:**

- (1) An objection may be raised orally by stating the objection during the hearing of an applicant and the objection shall be stenographically recorded upon the record. The Board may request written briefing of the basis of the objection prior to issuing a ruling.
- (2) An objection relating to the hearing of an applicant or to a hearing of a competitive applicant may be raised by means of written objection filed with the Clerk no later than 2 business days after the action or event giving rise to the objection. A written objection must clearly and concisely set forth the factual basis for the objection and be accompanied by a legal brief addressing the legal basis supporting the objection.
- (3) If an applicant objects to an action or event in the hearing of another applicant, the caption of the objection must include the docket numbers of both proceedings conspicuously displayed and shall be served upon counsel for the other applicant by electronic means.
- (4) In the event an objection is filed to the hearing of another applicant, counsel for that applicant may file a responsive brief within 2 business days of electronic service.
- (5) An objection not raised as provided in paragraphs (1)--(3) will be deemed waived.

- Holds a certificate in good standing for compliance with:
 - International Organization for Standardization # 17025 – General Requirements for the Competence of Testing and Calibration Laboratories; and
 - International Organization for Standardization # 17020 – General Criteria for the Operation of Various Types of Bodies Performing Inspections; and
- Has performed testing and certification of gaming equipment, systems and software on behalf of a state within the United States for a period of five or more years.

Either option works but a certification process is more cost effective. Rhode Island and Maryland, for example, utilize a multiple laboratory certification approach and Massachusetts is expected to follow that format. A signal as to which path is to be pursued via rulemaking should be incorporated into any proposal advanced by the Authority. Care should be taken to ensure that the statute is drafted in the plural to allow multiple laboratories to certify for the regulating entity so that all qualifying laboratories have access to the jurisdiction (requiring them to compete for a manufacturer's business) and to ensure that forensic investigations required by the regulating entity or its gaming licensee in the event of game malfunction or tampering can be performed by a "conflict" laboratory that did not perform the initial testing and certification of the product.

Following a minority approach, SB 152-O incorporated an average payout of at least 90% instead of a minimum theoretical payout percentage. Including this requirement in any proposal advanced by the Authority is not recommended. From a practical perspective an approach based on an average rather than a theoretical payout percentage frustrates an operator's selection of a complying video lottery machine since the manufacturer's "par sheet" ⁵⁵ on the machine will only delineate theoretical results. The video lottery machine has not been played - there are no actual results at the moment of acquisition. It is likewise noteworthy that the average payout percentage proposed, at 90%, is materially higher than the payout percentage requirements imposed by many state and tribal jurisdictions. New Jersey, for example, requires a minimum *theoretical* payout percentage of 83%, Pennsylvania requires a minimum *theoretical* payout percentage of 85% and Nevada and many tribal jurisdictions require a minimum *theoretical* payout percentage as low as 75%. Maryland does rely on a *range* of average actual payout percentages but even there it is set at 87%. Interestingly, Massachusetts did not specify a payout percentage in its enabling statute astutely maintaining the flexibility in this arena available through rulemaking. Adopting the payout percentage in SB 152-O would have ensured that manufacturers were not designing for, and would not have had readily available, a full catalogue of products that would have met the New Hampshire requirements.

An average payout percentage of at least 90% dictates that a video lottery machine offered in New Hampshire be designed within a much more narrow spread of payout percentages than is common in most jurisdictions, a circumstance that can affect the versatility and excitement level generated by the game. Generally, video lottery machines are designed around hit frequencies, i.e., the number of winning combinations that occur during game play that, in turn, translates into longer time on device for players. Game designers seek as great a spread on payout percentages as possible in order to create a more entertaining array of plays and pays. With New Hampshire's average payout percentage window required to hover between an actual 87% and 95%, the ability to make the games both compliant and entertaining would be limited and many

⁵⁵ A "par sheet" generally outlines the math including a video lottery machine's holds, payback, returns, and other game characteristics.

popular games available in competing states will likely not be economically feasible for a New Hampshire operator.

Recommendation #27. For the reasons specified herein, the Authority is urged to consider recommending a more traditional approach, perhaps a minimum theoretical payout percentage of 85% [not to equal or exceed 100 %] comparable to Pennsylvania. In the alternative it could follow Massachusetts and simply provide for future rulemaking with regard to payout percentage.

Conservatorship:

Recommendation # 28. In formulating its recommendations to the Legislature, the Authority should revisit the concept, incorporated at Proposed 284-B: 25, III (h), of requiring a new gaming licensee to be located on the site of the pre-existing gaming location. In the event of a conservatorship it would be in the state's interest for a new gaming license to be awarded and for the new licensee to commence operation as soon as possible. In the majority of circumstances, SB 152-O's requirement would likely overcomplicate that process. See Proposed 284-B:23.

Gaming Study Commission:

Recommendation #29. In formulating its recommendation to the Legislature, the Authority should consider whether a Gaming Study Commission should include representatives of departments and divisions actively engaged in regulating gaming sectors like the Lottery, Racing and Charitable Gaming Commission, Office of the Attorney General, State Police or any newly formed regulating entity. Broader participation in a study commission would allow an unbiased examination of sectors like charitable gaming in general and games of chance in particular. See Proposed 284-B:28.

Political Contributions:

Recommendation #30. In formulating its recommendations to the Legislature, the Authority is urged to recommend prohibitions on political contributions substantially similar to those articulated at Proposed 284-B:30 amplified to provide for an annual certification process analogous to that imposed in Pennsylvania. The Pennsylvania rule provides in pertinent part:

The chief executive officer, or other appropriate individual, of each applicant for a slot machine license, manufacturer license or supplier license, licensed racing entity, licensed supplier, licensed manufacturer or licensed gaming entity shall annually certify under oath to the board and the Department of State that such applicant or licensed racing entity, licensed supplier, licensed manufacturer or licensed gaming entity has developed and implemented internal safeguards and policies intended to prevent a violation of this provision and that such applicant or licensed racing entity or licensed gaming entity has conducted a good faith investigation that has not revealed any violation of this provision during the past year. See 4 Pa. C. S. § 1513.

Recommendation # 31. In formulating its recommendations to the Legislature regarding political contributions, the Authority is urged to recommend that any definition of "money", such as that incorporated at Proposed 284-B:30, be moved to the general definitions in any proposal advanced by the Authority as it is relevant in other contexts. Likewise, the definition of "person" in Proposed 284-B:30 is stronger than that found in the general definitions of SB 152-O. "Close associates" should also be defined, the Massachusetts definition is as follows:

A person who holds a relevant financial interest in, or is entitled to exercise power in, the business of an applicant or licensee and, by virtue of that interest or power, is able to exercise a significant influence over the management or operation of a gaming [establishment] location or business licensee under this chapter. Massachusetts Act @ Section 2, *Definitions*.

Internet Gaming:

Recommendation #32. The Authority should consider recommending that the Legislature consider and act upon Internet gaming. There are two competing approaches. New Jersey and Nevada have limited the offer of Internet based wagering to gaming licensees; other states like Delaware are readying to offer Internet wagering through their Lottery. To be competitive, any proposal for future expansion should address this new sector.

Fiscal and Capacity Requirements

Approach

By direction of NH RSA 284-A, the New Hampshire Gaming Regulatory Oversight Authority has directed WhiteSand to prepare a report identifying the strengths and weaknesses of the 2013 NH legislative proposals as compared to the best and most relevant components of the regulatory provisions in the other comparator states. This part of the report addresses fiscal and capacity requirements.

WhiteSand has approached this particular task using a formal methodology to determine market demand. We reviewed the specific demographics and other attributes of the gaming jurisdiction to be evaluated. This included, but was not limited to, population, income levels, age distribution, nearby competition and gaming tax rates. We evaluated these factors within ranges of 30, 60 and 90 miles of the proposed gaming facility general location. In order to provide a consistent measurement of demographics within a specific region we use distance radii from the region. Using distance rather than driving time eliminates fluctuations due to drive times, day of week, unpredictable events (e.g., accidents, weather, etc.) and other factors. Distance radii are translatable to drive times in most scenarios and provide more consistent results due to the reduction of unpredictability.

Using this information, we then identified a “Competitive Set” for the proposed gaming facility - other gaming properties to be compared based on similar demographics and characteristics. While the properties identified in the competitive set usually do not provide an exact match, they present enough similarities to evaluate market demand and estimate key financial statistics. Using this data, we analyzed the gaming environment of the competitor set to understand the financial performance of the casinos as well as nearby competition to understand the impact or potential impact on gaming in New Hampshire. Based on that analysis, we developed our market demand study and financial information for the proposed gaming facility. In this report, we describe the current market analysis of gaming in New Hampshire and key financial information regarding tax rates and potential performance of a gaming facility.

Based on the results of our analysis, although we vary to some degree on specific details and offer suggestions to adjust some areas of the Omnibus Bill, there are no financially related aspects of the bill that are outside of what we have seen in the industry.

Market Analysis

Local Demographics

The realization of casino gaming in Massachusetts is obviously a major factor behind the current casino legislation in New Hampshire (see Appendix A). As gaming has proliferated over the last several years, states have grown tired of seeing their resident's dollars go across borders to be spent in neighboring jurisdictions.

Given the 100 mile drive to Springfield and approximately a forty minute to hour drive to Boston, Southern New Hampshire is a geographic area that could both leverage the local New Hampshire population given the high population density of Manchester and its surrounding communities, as well as generate significant revenues drawing from residents of Northern Massachusetts and other parts of New England. Many Massachusetts consumers will drive to New Hampshire for gaming, dining and entertainment options rather than face the traffic issues of traveling into Boston. The lack of a sales tax already attracts shoppers from Massachusetts in significant numbers to the malls and shopping outlets in southern New Hampshire. Liquor prices in New Hampshire are also attractive to Massachusetts residents.

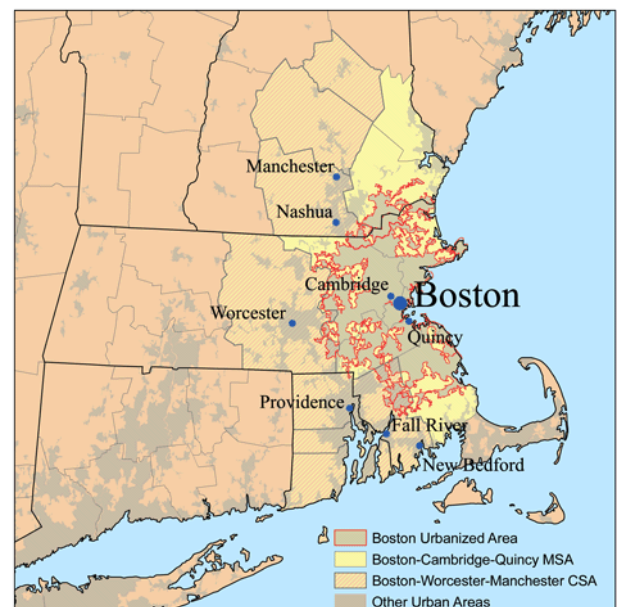
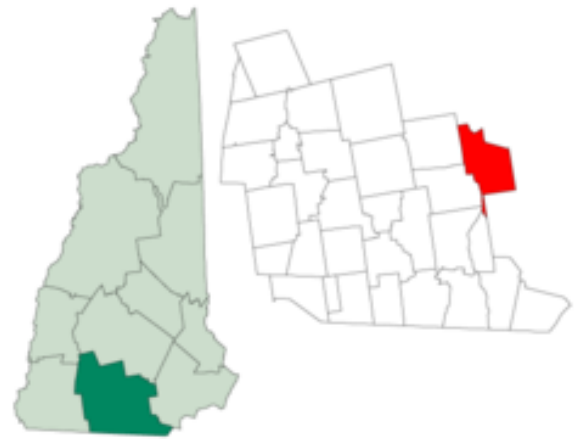
The bigger threat coming from projected Massachusetts bidders would be the proposed Cordish "slots only" project in Leominster. This is about forty minute drive to what would be a comparatively limited gaming experience (not only a lack of table games, but a 49% tax on gaming revenue). This may attract locals but those given a choice should choose New Hampshire.

The target market for a casino in New Hampshire is, in addition to the population of New Hampshire, the population reaching into Northern Massachusetts toward Boston and Springfield.

Manchester is the largest city in New Hampshire, the tenth largest city in New England, and the largest city in northern New England, an area comprising the states of Maine, New Hampshire, and Vermont. It is in Hillsborough County along the banks of the Merrimack River, which divides the city into eastern and western sections. Manchester is near the northern end of the Northeast megalopolis. As of the 2010 census, the city had a population of 109,565. The Manchester-Nashua metropolitan area, with a population of 402,922, is home to nearly one-third of the population of New Hampshire. The so-called Golden Triangle between Manchester, Nashua and Salem is home to 608,494, nearly half of New Hampshire's total population.

Greater Boston is the area of the Commonwealth of Massachusetts surrounding the city of Boston, consisting most of the eastern third of Massachusetts, excluding the South Coast, Cape Cod & The Islands.

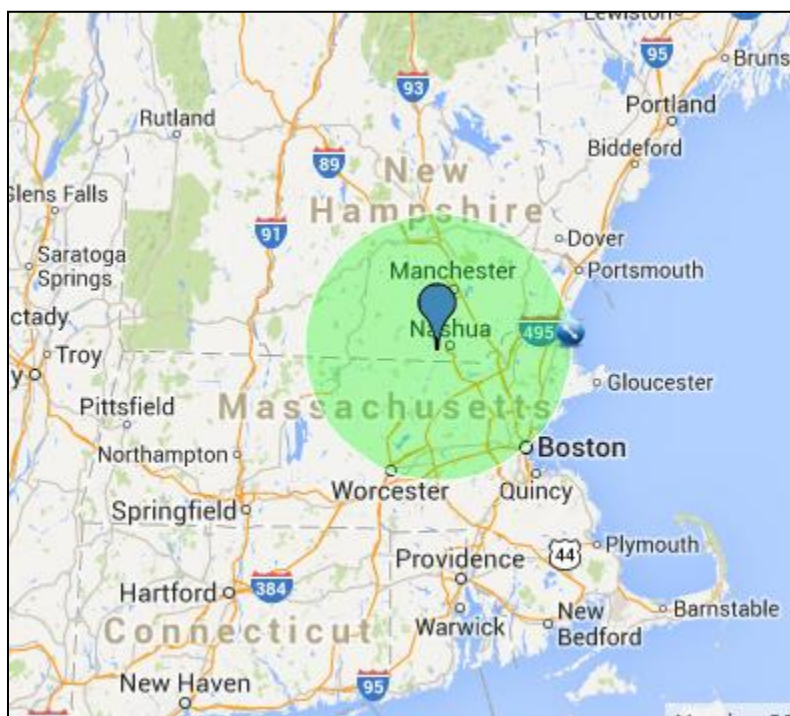
Greater Boston is tenth in population among U.S. metropolitan statistical areas in the United States, home to



over 4.6 million people as of the 2010 U.S. Census and is ranked sixth among CSAs, having almost 8 million people.

Given the proximity to the bulk of the population of New Hampshire and the access to the more populated Northern Massachusetts and access to Interstate 93, Southeastern New Hampshire would be the preferred location for a casino-resort. Again, applicants would determine the exact locations.

30-mile radius of specified point (Southern NH)⁵⁶		
Total Population	2,740,299	
Total Population 2000	2,645,934	
Change in Population 2000-2010	94,365	3.6
Males	1,335,626	48.7
Females	1,404,673	51.3
Population Density	1073	
Land Area Sq. Miles	2,553	
Median Age	39.3	
Age 0 to 17	607,422	22.2
18 to 24 Years	253,631	9.3
25 to 44 Years	748,983	27.3
45 to 64 Years	775,567	28.3
62 Years and Over	442,081	16.1
65 Years and Over	354,696	12.9



⁵⁶ All radius map data from Missouri Census Data Center

60-mile radius of specified point (Southern NH)		
Total Population	6,150,264	
Total Population 2000	5,907,347	
Change in Population 2000-2010	242,917	4.1
Males	2,988,400	48.6
Females	3,161,864	51.4
Population Density	744.1	
Land Area Sq. Miles	8,266	
Median Age	39.0	
Age 0 to 17	1,351,285	22.0
18 to 24 Years	621,367	10.1
25 to 44 Years	1,656,173	26.9
45 to 64 Years	1,719,361	28.0
62 Years and Over	998,077	16.2
65 Years and Over	802,078	13.0
90-mile radius of specified point (Southern NH)		
Total Population	9,215,860	
Total Population 2000	8,879,701	
Change in Population 2000-2010	336,159	3.8
Males	4,477,239	48.6
Females	4,738,621	51.4
Population Density	527.8	
Land Area Sq. Miles	17,459	
Median Age	39.4	
Age 0 to 17	2,005,036	21.8
18 to 24 Years	950,111	10.3
25 to 44 Years	2,411,940	26.2
45 to 64 Years	2,599,515	28.2
62 Years and Over	1,551,926	16.8
65 Years and Over	1,249,258	13.6

Infrastructure

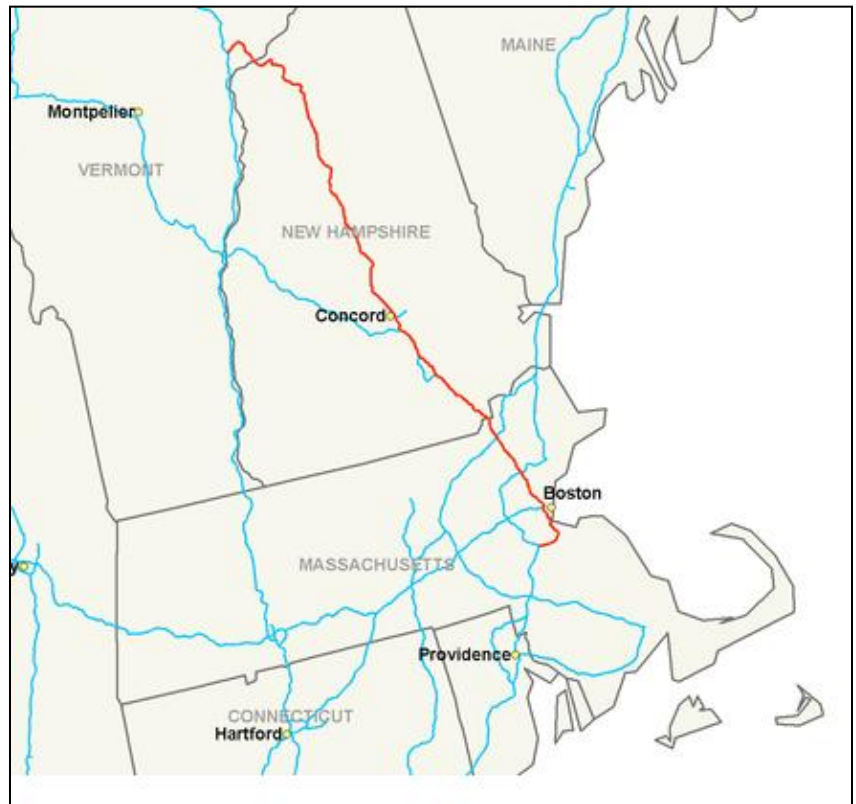
Air Transportation

Manchester-Boston Regional Airport (MHT) is well situated in the New England region, as it is less than fifty miles north of Boston, Massachusetts and less than an hour's drive from some of the more popular ski areas, New Hampshire's beaches and other local attractions. Many travelers select Manchester Airport over Logan due to Boston traffic congestion. In 2012, MHT handled over 2,452,064 passengers.⁵⁷

Roadway System

Interstate 93 travels just over 131 miles in New Hampshire, around two-thirds of the highway's total distance. It is the main interstate route in New Hampshire, and connects the state capital, Concord, and its largest city, Manchester. Beyond Concord are the towns of Tilton, Plymouth, and Littleton. I-93 is known as the Alan B. Shepard Highway from the Massachusetts line to Hooksett (just north of Manchester at the northern end of I-293), as the F.E. Everett Turnpike from Hooksett to Concord, and as the Styles Bridges Highway from Concord to the Vermont line. I-93 connects the northern suburbs of Boston to New Hampshire, through Woburn to an intersection with Interstate 95 and Route 128. North bound travelers can remain on I-93 toward New Hampshire. Just south of the state line, I-93 crosses the Merrimack River into Methuen, where it interchanges with Routes 110 and 113 at exit 46. I-93 then interchanges with the western end of Route 213, a connector between I-93 and I-495. I-93 then crosses into New Hampshire at Salem, where the current reconstruction of Exit 1 along with the reduction of the freeway from four northbound lanes to two can cause congestion.⁵⁸

Route 3 is also a major roadway facilitating movement between southern New Hampshire and Massachusetts.



Our review of the demographics, of the region is favorable to the establishment of gaming in New Hampshire.

⁵⁷ Manchester-Boston Regional Airport Annual Statistics 2000-2012

⁵⁸ NH DOT "Route Logs". NH Department of Transportation.

Competitive Set

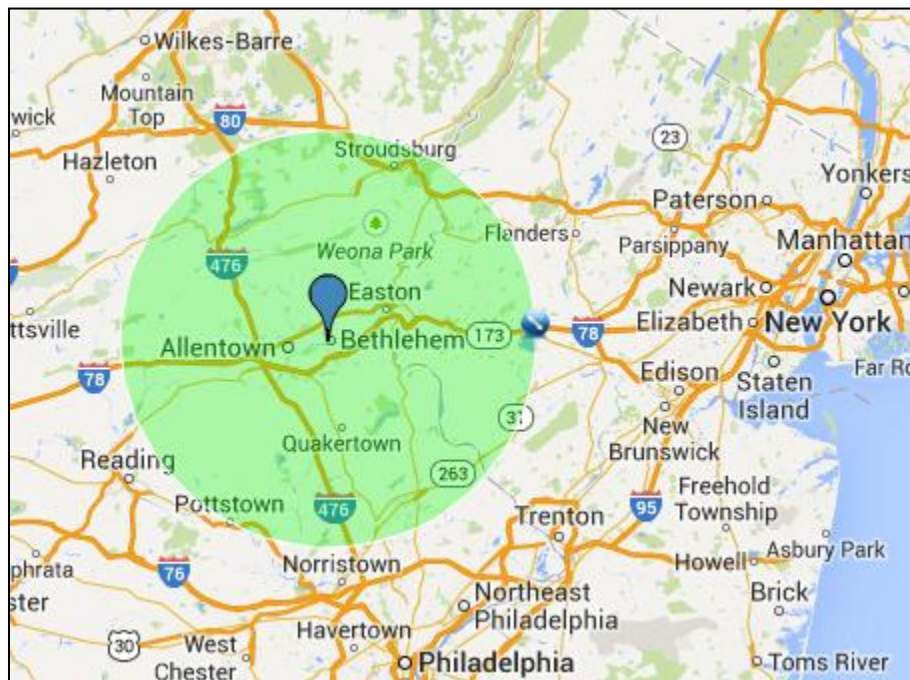
In this section we look at similar properties in areas with similar characteristics, such as regional population, income, and regulatory environment from which to develop performance comparisons.

Sands, Bethlehem Demographics

Allentown is a city located in Lehigh County, Pennsylvania, in the United States. It is Pennsylvania's third most populous city, after Philadelphia and Pittsburgh, and the 222nd largest city in the United States. As of the 2010 census, the city had a total population of 118,032 and is currently the fastest growing city in Pennsylvania. It is the largest city in the metropolitan area known as the Lehigh Valley, which had a population of 821,623 residents as of the 2010 U.S. Census. It is also the county seat of Lehigh County. The Lehigh Valley known officially by the United States Census Bureau as the Allentown-Bethlehem-Easton, PA-NJ metropolitan area, is a metropolitan region officially consisting of Carbon, Lehigh and Northampton counties in eastern Pennsylvania and Warren county on the western edge of New Jersey, in the United States. The core population centers are located in southern and central Lehigh and Northampton counties along U.S. Highway 22 and Interstate 78. The Lehigh Valley is the fastest growing and third most populous region in the state of Pennsylvania with a population of 821,623 residents as of the 2010 U.S. Census. It is eclipsed in total population only by the metropolitan areas of Philadelphia and Pittsburgh in Pennsylvania. It is the 64th most populated metropolitan area in the entire United States. Lehigh County, the Valley's largest county in terms of overall population, is amongst the fastest growing in the nation as well, ranking in the 79th percentile for population growth between 2010-2012. It is part of the New York City CSA.



30-mile radius of specified point (Bethlehem, PA)		
Total Population	1,655,930	
Total Population 2000	1,485,121	
Change in Population 2000-2010	170,809	11.5
Males	811,082	49.0
Females	844,848	51.0
Population Density	589.9	
Land Area Sq. Miles	2,807	
Median Age	40.1	
Age 0 to 17	162,869	23.0
18 to 24 Years	65,613	9.3
25 to 44 Years	179,080	25.3
45 to 64 Years	215,669	30.5
62 Years and Over	108,500	15.3
65 Years and Over	84,621	12.0

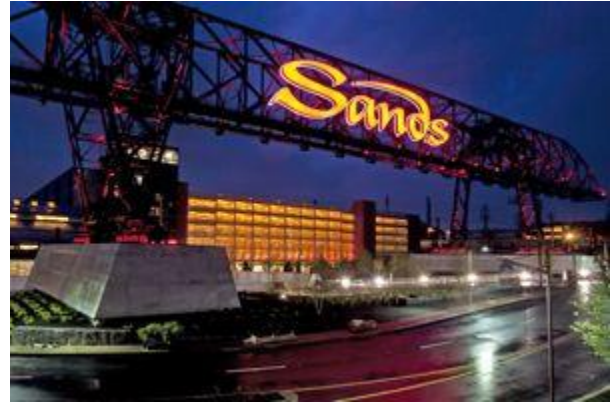


60-miles radius of specified point (Bethlehem, PA)		
Total Population	9,732,443	
Total Population 2000	9,212,489	
Change in Population 2000-2010	519,954	5.6
Males	4,722,543	48.5
Females	5,009,900	51.5
Population Density	874.2	
Land Area Sq. Miles	11,132	
Median Age	40.5	
Age 0 to 17	245,386	22.3
18 to 24 Years	101,969	9.3
25 to 44 Years	275,352	25.1
45 to 64 Years	334,742	30.5
62 Years and Over	179,201	16.3
65 Years and Over	140,995	12.8

90-mile radius of specified point (Bethlehem, PA)		
Total Population	26,109,229	
Total Population 2000	24,971,377	
Change in Population 2000-2010	1,137,852	4.6
Males	12,606,848	48.3
Females	13,502,381	51.7
Population Density	1083	
Land Area Sq. Miles	24,107	
Median Age	40.8	
Age 0 to 17	274,852	22.0
18 to 24 Years	118,880	9.5
25 to 44 Years	309,368	24.7
45 to 64 Years	382,526	30.6
62 Years and Over	210,423	16.8
65 Years and Over	165,870	13.3

Sands Casino Resort Bethlehem

Sands Casino Resort Bethlehem is owned, operated, and was constructed by the Las Vegas Sands Corporation. It is one of five stand-alone casinos that was awarded a slots license by the Pennsylvania Gaming Control Board on December 20, 2006. The casino was slated to open in July 2008, but demolition took longer than expected due to the heavy concrete foundations of the old steel building. Its opening was delayed until the second quarter of 2009. The first concrete for the complex, which is located on the former Bethlehem Steel land on the south side of the city, was poured on November 15, 2007.



The casino opened May 22, 2009. In the winter of 2009-2010, the Casino was granted a license for table games which will allow the casino to expand its games to include poker, blackjack and craps. Table games began operation on July 18, 2010. The hotel opened May 27, 2011. Since the expansion in November 2009, Sands Casino Resort Bethlehem features over 3,000 slot machines, 180 table games, and several electronic table games. While the Las Vegas Sands Corporation owns a number of properties, this is the only casino of the three the Corporation owns in the United States to carry the Sands brand in its name, since the original Las Vegas Sands was demolished and replaced with The Venetian and the Sands Atlantic City was sold to new owners and demolished.

Hotel Amenities

On May 27, 2011, the Sands Hotel opened. It features 302 rooms, 22 suites, 12,000 square feet of meeting space, an indoor pool and a fitness center.

The hotel features these room types: Deluxe Queen Room, Deluxe King Room, Executive Suite, and Presidential Suite. There are 16 Executive suites and 6 Presidential suites. Rooms (and suites) are available in Smoking or Non-Smoking, and in compliance with ADA regulations, handicapped-accessible rooms are available.

Sands Casino Resort Bethlehem opened May of 2009 in Eastern Pennsylvania. It is situated on the site of the historic Bethlehem Steel plant and located approximately 60 minutes from Philadelphia and the northern New Jersey suburbs and 90 minutes from New York City. Sands Bethlehem offers over 3,000 state-of-the-art slot machines and over 180 table games including a 36 table poker room, as well as a 300-room hotel and over 12,000 sq. ft. of meeting space.

The Outlets at Sands Bethlehem Luxury Outlet Center launched at the property in November 2011. The Sands Bethlehem Event Center, which opened at the property in May 2012 and includes over 14,000 sq. ft. of flexible multipurpose space, accommodates meetings, conventions and a variety of entertainment events.

Dining

- Burgers And More by Emeril (BAM)
- Carnegie Deli
- Steelworks Buffet and Grill
- Emeril's Chop House
- Emeril's Italian Table
- St. James Gate Irish Pub and Carvery

- The Market Gourmet Express: Bananas, Green Leaf's, South Philly Steaks & Fries, Villa Fresh Italian Kitchen, Mo' Burger, Far East, Casa Java
- Chopstick Asian Cuisine

Nightlife

- Coil Lounge
- Infusion Lounge
- Molten Lounge
- Vision Bar

Other nightlife includes: Free live music 7 days a week in Molten Lounge; 1 night a week in St. James Gate Irish Pub and Carvery.

Rivers Casino, Pittsburgh

Rivers Casino is in Pittsburgh, Pennsylvania. The casino's 400,000 square foot gaming space features 2,954 gaming machines and 137 table and poker games. The property has five restaurants and three bars.

Gaming Machines - 2,954 total

Table and Poker Games - 137

Poker, 30 tables

Restaurants and Bars

- Andrew's Steak & Seafood - Steak & Seafood
- Ciao - Italian, Sandwiches
- Drum Bar - Bar
- Grand View Buffet - Buffet
- Levels - Bar
- Spiral Bar - Bar
- West End Cafe - Café - Pizza, Sandwiches
- Wheelhouse Bar and Grille - Grille - Bar Drinks and Food

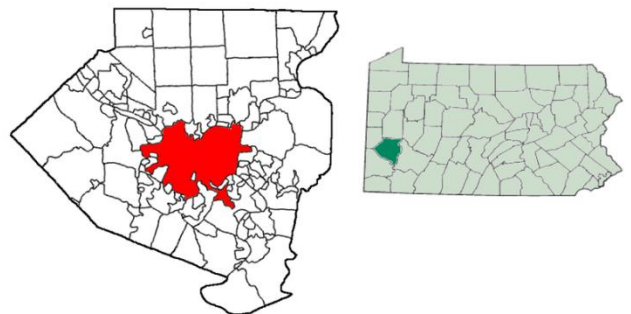


The Rivers Casino (originally going to be named the Majestic Star Casino) is a casino in Pittsburgh, Pennsylvania, USA. It is owned by Holdings Acquisition Co. L.P., a joint venture of Walton Street Capital LLC and High Pitt Gaming LP. Located in Pittsburgh's Chateau neighborhood along the Ohio River and adjacent to the Carnegie Science Center, it had its groundbreaking in December 2007 and opened on August 9, 2009. The casino was originally to be built by Don H. Barden, but financial troubles forced him to sell 75% of his interest in the casino to Holdings Acquisition Co on July 16, 2008.

Demographics

Pittsburgh is the seat of Allegheny County and with a population of 306,211 is the second-largest city in the U.S. State of Pennsylvania. With a metropolitan CSA population of 2,661,369, it is the largest in both the Ohio Valley and Appalachia and the 20th-largest in the U.S.

At the 2010 Census, there were 305,704 people residing in Pittsburgh, a decrease of 8.6% since 2000. The median income for a household in the city was \$28,588, and the median income for a family was \$38,795. Males had a median income of \$32,128 versus \$25,500 for females. The per capita income for the city was \$18,816. About 15.0% of families and 20.4% of the population were below the poverty line, including 27.5% of those under the age of 18 and 13.5% ages 65 or older.



30-mile radius of Rivers Casino Pittsburgh		
Total Population	2,045,316	
Total Population 2000	2,105,739	
Change in Population 2000-2010	-60,423	-2.9
Males	984,993	48.2
Females	1,060,323	51.8
Population Density	718.3	
Land Area Sq. Miles	2,847	
Median Age	42.4	
Age 0 to 17	412,564	20.2
18 to 24 Years	186,287	9.1
25 to 44 Years	491,735	24.0
45 to 64 Years	602,589	29.5
62 Years and Over	424,847	20.8
65 Years and Over	352,141	17.2



60-mile radius of Rivers Casino Pittsburgh		
Total Population	3,485,562	
Total Population 2000	3,595,227	
Change in Population 2000-2010	-109,665	-3.1
Males	1,694,794	48.6
Females	1,790,768	51.4
Population Density	308.5	
Land Area Sq. Miles	11,298	
Median Age	42.3	
Age 0 to 17	703,118	20.2
18 to 24 Years	337,189	9.7
25 to 44 Years	823,198	23.6
45 to 64 Years	1,021,278	29.3
62 Years and Over	726,173	20.8
65 Years and Over	600,779	17.2

90-mile radius of Rivers Casino Pittsburgh		
Total Population	5,584,789	
Total Population 2000	5,716,564	
Change in Population 2000-2010	-131,775	-2.3
Males	2,727,011	48.8
Females	2,857,778	51.2
Population Density	223.7	
Land Area Sq. Miles	24,966	
Median Age	41.9	
Age 0 to 17	1,161,227	20.8
18 to 24 Years	539,068	9.7
25 to 44 Years	1,315,440	23.6
45 to 64 Years	1,625,195	29.1
62 Years and Over	1,146,098	20.5
65 Years and Over	943,859	16.9

Twin River Casino

Twin River Casino, previously Lincoln Greyhound Park, is a casino and former race track in Lincoln, Rhode Island. The facility has over 300,000 square feet of gaming space, with over 4,500 video slot machines and virtual table games. Table games were introduced in July 2013. Other amenities include a comedy club, a 29,000-square-foot event center, two restaurants, three food courts, several bars, and a racebook. Twin River offers both smoking and non-smoking gaming rooms.



Gaming Machines - 4,538 total

Table and Poker Games - 80 total

- 3 Card Poker
- Baccarat
- Big Six
- Blackjack
- Craps
- Let it Ride
- Pai Gow Poker
- Roulette
- Spanish 21

Other Gaming

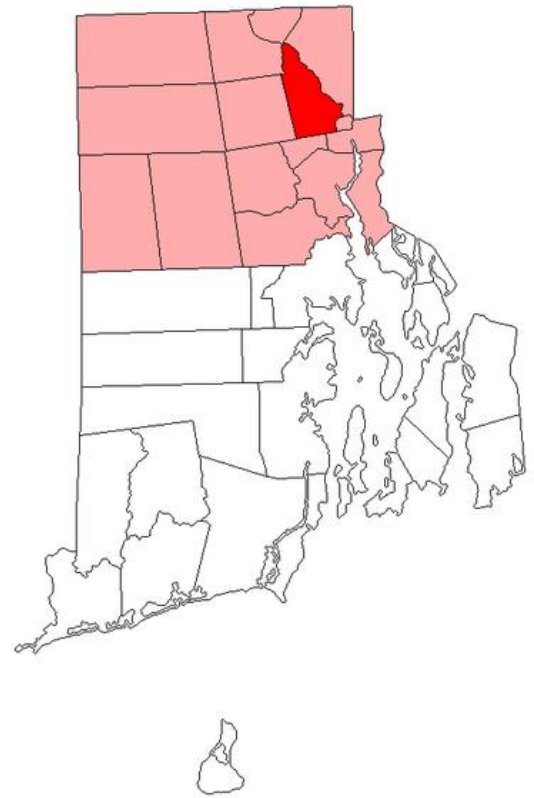
- Bingo - 22 seats
- Race Book

Restaurants and Bars

- Blackstone's Cigar and Martini Bar - Bar
- Dessert Express - Café - Dessert
- Dunkin Donuts - Coffee House
- East Meets West - Chinese
- Fred & Steve's Steakhouse - Steakhouse
- Haagen Dazs - Shop - Ice Cream
- Jeat? – American
- KFC - Fast Food
- Johnny Rockets - Restaurant
- Lighthouse Bar - Bar - Bar Drinks and Food
- Nathan's Hot Dogs - Food Court
- Ronzio Pizza - Food Court
- Sapphire - Lounge
- SoupMan - Café - Soups
- Subway - Fast Food
- Taco Bell - Fast Food
- Wicked Good - Bar & Grill

Demographics

Lincoln is a town in Providence County, Rhode Island. As of the census of 2000, there were 20,898 people, 8,243 households, and 5,778 families residing in the town. The median income for a household in the town was \$47,815, and the median income for a family was \$61,257. Males had a median income of \$41,508 versus \$30,089 for females. The per capita income for the town was \$26,779.



30-miles radius of Twin River, Rhode Island		
Total Population	2,867,058	
Total Population 2000	2,786,971	
Change in Population 2000-2010	80,087	2.9
Males	1,386,893	48.4
Females	1,480,165	51.6
Population Density	1093	
Land Area Sq. Miles	2,623	
Median Age	39.4	
Age 0 to 17	660,963	23.1
18 to 24 Years	273,535	9.5
25 to 44 Years	734,382	25.6
45 to 64 Years	808,367	28.2
62 Years and Over	481,602	16.8
65 Years and Over	389,811	13.6








60-miles radius of Twin River Rhode Island		
Total Population	7,728,143	
Total Population 2000	7,466,240	
Change in Population 2000-2010	261,903	3.5
Males	3,754,020	48.6
Females	3,974,123	51.4
Population Density	955.6	
Land Area Sq. Miles	8,087	
Median Age	39.1	
Age 0 to 17	1,690,218	21.9
18 to 24 Years	805,231	10.4
25 to 44 Years	2,052,558	26.6
45 to 64 Years	2,137,865	27.7
62 Years and Over	1,289,667	16.7
65 Years and Over	1,042,271	13.5

90-miles radius of Twin River Rhode Island		
Total Population	10,860,077	
Total Population 2000	10,475,663	
Change in Population 2000-2010	384,414	3.7
Males	5,270,147	48.5
Females	5,589,930	51.5
Population Density	739.9	
Median Age	39.5	
Age 0 to 17	2,371,620	21.8
18 to 24 Years	1,115,176	10.3
25 to 44 Years	2,820,584	26.0
45 to 64 Years	3,052,731	28.1
6hg2 Years and Over	1,858,241	17.1
65 Years and Over	1,499,966	13.8

Comparator States

-  Land-based or Riverboat Casino
-  Racetrack Casino
-  Tribal Casino
-  Card Room
-  Electronic Gaming Device

Casinos per State (as of Dec. 31, 2012)

STATE					
Alabama			3*		
Alaska			2*		
Arizona			26		
California			70	88	
Colorado	41 ²		2		
Connecticut			2		
Delaware		3 [■]			
Florida		6	8	25	
Idaho			7		
Illinois	10				1,194 [■]
Indiana	11	2			
Iowa	15	3	3		
Kansas	3		4		
Louisiana	14	4	3		2,071
Maine	1	1			
Maryland	2 [■]	1 [■]			
Michigan	3		22		
Minnesota			39	2	
Mississippi	30		3		
Missouri	13				
Montana			14	227 ²	1,503 ²
Nebraska			7*		
Nevada	265 ²		3		2,003 ³
New Jersey	12				
New Mexico		5	21		
New York		9 [■]	8		
North Carolina			2		
North Dakota			11		
Ohio	3	1 [■]			
Oklahoma		2	114		
Oregon			8		2,322 [■]
Pennsylvania	5	6			
Rhode Island		2 [■]			
South Dakota	35 ²		14		1,459 ²
Texas			1*		
Washington			34	71 ²	
West Virginia	1	4 [■]			1,490 [■]
Wisconsin			31		
Wyoming			4		
Total	464	49	466	413	12,042
Number of States	17	14	28	5	7

*Class II games only

²Limited-stakes gaming

[■]Video lottery terminals

¹ Refers to number of non-casino locations in states where electronic gaming devices are present

² Number during FY 2012

³ Locations have 15 or fewer machines

Sources: American Gaming Association, National Indian Gaming Commission, State Gaming Regulatory Agencies

Commercial Casino Tax Revenue by State, 2011 vs. 2012

STATE	2011	2012	% CHANGE
Colorado	\$102.17 million	\$104.26 million	+2.0%
Delaware	\$230.16 million	\$217.44 million	-5.5%
Florida	\$143.60 million	\$161.76 million	+12.6%
Illinois	\$489.42 million	\$574.34 million	+17.4%
Indiana	\$846.37 million	\$806.56 million	-4.7%
Iowa	\$321.53 million	\$334.43 million	+4.0%
Kansas	\$13.08 million	\$92.17 million	+604.7%
Louisiana	\$573.19 million	\$579.45 million	+1.1%
Maine	\$29.06 million	\$43.11 million	+48.3%
Maryland	\$89.53 million	\$218.20 million	+143.7%
Michigan	\$320.67 million	\$319.75 million	-0.3%
Mississippi	\$274.42 million	\$272.73 million	-0.6%
Missouri	\$484.83 million	\$471.41 million	-2.8%
Nevada	\$865.25 million	\$868.60 million	+0.4%
New Jersey	\$277.60 million	\$254.84 million	-8.2%
New Mexico	\$64.72 million	\$62.79 million	-3.0%
New York	\$593.40 million	\$822.67 million	+38.6%
Ohio	NA	\$138.18 million	NA
Oklahoma	\$18.30 million	\$20.38 million	+11.4%
Pennsylvania	\$1.456 billion	\$1.487 billion	+2.1%
Rhode Island	\$308.71 million ¹	\$328.98 million ²	+6.6%
South Dakota	\$16.36 million	\$16.62 million	+1.6%
West Virginia	\$406.46 million	\$402.50 million	-1.0%

¹FY 2011

²FY 2012

Source: State Gaming Regulatory Agencies

Connecticut

Foxwoods Resort Casino & MGM Grand at Foxwoods - Foxwoods Resort Casino & MGM Grand at Foxwoods is a Native American Casino in Mashantucket, Connecticut. The casino's 344,000 square foot gaming space features 6,400 gaming machines and 450 table and poker games. The property has twenty-nine restaurants, three bars and four hotels with 2,577 rooms.

Mohegan Sun - Mohegan Sun is a Native American Casino in Uncasville, Connecticut and is open daily 24 hours. The casino's 350,000 square foot gaming space features 5,500 gaming machines and 320 table and poker games. The property has thirty restaurants, six bars and a hotel with 1,176 rooms.

State	Property	Avg Slots	Net Revenue	WUD	Tables	Table Win	WUD
Connecticut	Foxwoods	6,123	\$ 542,750,408	\$ 243	N/A	N/A	N/A
	Mohegan Sun	5,656	\$ 628,801,430	\$ 305	N/A	N/A	N/A

59

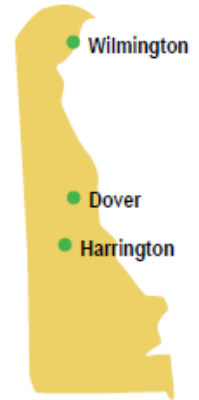
DELAWARE

Current # of Operating Casinos 3

Casino Format	Racetrack casinos with publicly-run video lottery terminals and table games with distributions to operators
Casino Employees	2,775
Casino Employee Wages	\$105.19 million (includes tips and benefits)
Gross Casino Gaming Revenue	\$526.67 million
Gaming Tax Revenue	\$217.44 million
How Taxes Spent	General fund
Legalization Date	1994
First Casino Opening Date	1995
Revenue Retained by Operator	43.77%
Mode of Legalization	Legislative action
Visitor Volume	Data not available

Note: Delaware wage and employment data includes two of three properties, as one declined to participate in the data collection.

Sources: Delaware Lottery, individual properties



Regional competition from new casinos in Maryland, as well as casinos in Pennsylvania, continued to cut into Delaware's gross gaming and tax revenue, leading to 4.7 and 5.5 percent dips, respectively.

Dover

Dover Downs Hotel & Casino - Dover Downs Hotel & Casino is a horse track in Dover, Delaware that features harness racing and is open daily 24 hours (closed on Easter Sunday and December 25th). The horse track racino's 165,000 square foot gaming space features 2,600 gaming machines and fifty-eight table and poker games. The property has fourteen restaurants, one bar and a hotel with 500 rooms.

Harrington

Harrington Raceway and Casino - Harrington Raceway and Casino is a horse track in Harrington, Delaware that features harness racing and is open Mon-Sat 8am-2am, Sun 1pm-2am. The horse track racino's 140,000 square foot gaming space features 1,800 gaming machines and fifty-one table and poker games. The property has three restaurants and one bar.

Wilmington

Delaware Park Racetrack, Slots and Golf - is a horse racing facility in Wilmington, Delaware with two tracks that feature thoroughbred racing and is open daily 24 hours. The horse track racino's 78,520 square foot gaming space features 2,540 gaming machines and eighty-nine table and poker games. The property has eleven restaurants.

State	Property	Avg Slots	Net Revenue	WUD	Tables	Table Win	WUD
Delaware	Delaware Park	2,376	\$ 175,920,100	\$ 203	89	\$ 18,021,696	\$ 838
	Dover Downs	2,488	\$ 177,109,800	\$ 195	59	\$ 14,255,799	\$ 994
	Harrington	1,815	\$ 94,727,800	\$ 143	42	\$ 7,420,323	\$ 727

60

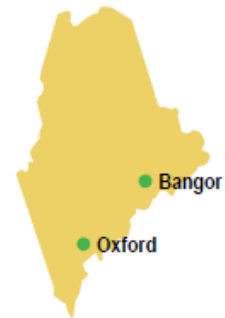
⁶⁰ Delaware Gaming Control Board

MAINE

Current # of Operating Casinos	2
Casino Format	Land-based and racetrack casinos with slot machines and table games
Casino Employees	879
Casino Employee Wages	\$11.90 million (includes tips and benefits)
Gross Casino Gaming Revenue	\$99.22 million
Gaming Tax Revenue	\$43.11 million
How Taxes Spent	Education, health care, agriculture, gambling control board administration, city of Bangor
Legalization Date	2004
First Casino Opening Date	2005
State Gaming Tax Rate	1% tax on handle or the amount wagered; 39% tax on gross gaming revenue; 3% tax on gross gaming revenue to the city of Bangor
Mode of Legalization	Local option vote, legislative action
Visitor Volume	Data not available

Note: Maine wage data includes one of two properties, as one declined to participate in data collection.

Sources: Maine Gambling Control Board, individual properties



Compared to 2011, employment (+141.8 percent), gross gaming revenues (+66.9 percent) and direct gaming tax receipts (+48.3 percent) increased dramatically in Maine during 2012 as a result of the June opening of Oxford Casino in Oxford and the March addition of live table games at Hollywood Casino Hotel & Raceway in Bangor.

Indian Island

Penobscot High Stakes Bingo - Penobscot High Stakes Bingo offers a wide variety of bingo games, pull tabs, and coinboards. The free mystery games are very popular which carry trip prizes all over the world. The casino's gaming space is about 26,400 square feet.

Oxford

The Oxford Casino - The Oxford Casino is in Oxford, Maine and is open daily 24 hours. The casino's 25,000 square foot gaming space features 790 gaming machines and twenty-two table games.

Bangor

Hollywood Casino Hotel & Raceway - Hollywood Casino Hotel & Raceway is a horse track in Bangor, Maine and is open Sun-Wed 8am-1am, Thu-Sat 8am-3am. The horse track racino's 10,000 square foot gaming space features 1,000 gaming machines and fourteen table and poker games. The property has a hotel with 152 rooms.

Maine Horse Tracks

Cumberland Center - Cumberland Fairgrounds
Farmington - Farmington Fairgrounds
Fryeburg - Fryeburg Fairgrounds
Oxford - Oxford Fairgrounds
Presque Isle - Northern Maine Fairgrounds

Scarborough - Scarborough Downs
Skowhegan - Skowhegan State Fairgrounds
Topsham - Topsham Fairgrounds
Union - Union Fairgrounds
Windsor - Windsor Fairgrounds

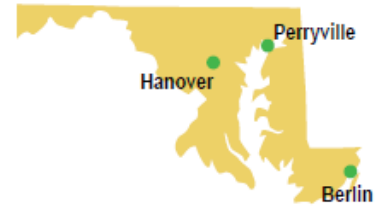
State	Property	Avg Slots	Net Revenue	WUD	Tables	Table	WUD
Maine	Hollywood	918	\$ 56,212,926	\$ 145	16	\$ 7,569,321	\$ 2,311
	Oxford	809	\$ 60,578,987	\$ 205	22	\$ 1,796,340	\$ 1,669

MARYLAND

Current # of Operating Casinos	3
Casino Format	Land-based, slots-only casinos
Casino Employees	499
Casino Employee Wages	\$17.47 million (includes tips and benefits)
Gross Casino Gaming Revenue	\$377.81 million
Gaming Tax Revenue	\$218.20 million
How Taxes Spent	Education trust fund, local impact grants, small, minority- and women-owned businesses
Legalization Date	2008
First Casino Opening Date	2010
Revenue Retained by Operator	33%
Mode of Legalization	Constitutional referendum
Visitor Volume	Data not available

Note: Maryland wage and employment data includes two of three properties, as one declined to participate in the data collection.

Sources: Maryland Lottery, individual properties



Maryland's significant year-over-year increases in gaming revenue (+142.6 percent) and gaming tax revenue (+143.7 percent) mostly can be attributed to the opening of the Maryland Live! Casino in Hanover in June and a full year of operations at Ocean Downs in Berlin.

Flintstone

Rocky Gap Casino & Resort - Rocky Gap Casino & Resort is in Flintstone, Maryland. The casino's gaming space features 550 gaming machines and ten table games.

Hanover

Maryland Live! Casino - Maryland Live! Casino is in Hanover, Maryland and is open daily 24 hours. The casino's 160,000 square foot gaming space features 4,332 gaming machines and 174 table and poker games. The property has six restaurants and one bar.

Perryville

Hollywood Casino - Hollywood Casino is in Perryville, Maryland. The casino's 34,000 square foot gaming space features 1,500 gaming machines and twenty-two table and poker games. The property has two restaurants.

Maryland Horse Track Racinos

Berlin

Casino at Ocean Downs - Casino at Ocean Downs is a horse track in Berlin, Maryland that features harness. The horse track racino's 34,000 square foot gaming space features 800 gaming machines. The property has four restaurants and one bar.

Maryland Horse Tracks

Baltimore - Pimlico Race Course
Elkton - Fair Hill Races

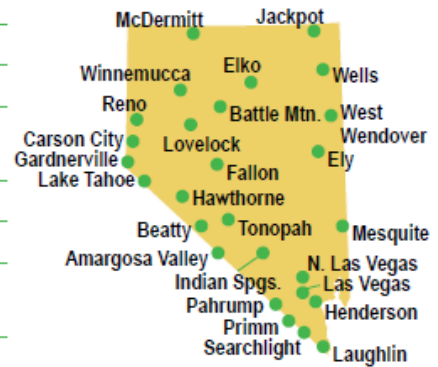
Fort Washington - Rosecroft Raceway
Laurel - Laurel Park
Timonium - Timonium Racetrack

State	Property	Avg Slots	Net Revenue	WUD	Tables	Table	WUD
Maryland	Hollywood Casino Perryville	1,500	\$ 77,659,342	\$ 190	22	\$ 12,612,195.63	\$ 1,571
	Casino at Ocean Downs	800	40,796,392	\$ 187	0	N/A	N/A
	Maryland LIVE	4,332	333,113,993	\$ 282	172	\$ 95,112,248.54	\$ 1,515
	Rocky Gap	550	36,640,669	\$ 183	10	\$ 5,570,524.61	\$ 1,526

NEVADA

Current # of Operating Casinos	265 (FY 2012)
Casino Format	Land-based
Casino Employees	170,206 (FY 2012)
Casino Employee Wages	\$7.693 billion (includes tips and benefits) (FY 2012)
Gross Casino Gaming Revenue	\$10.860 billion
Gaming Tax Revenue	\$868.60 million
How Taxes Spent	Education, local governments, general fund, problem gambling programs
Legalization Date	1931
First Casino Opening Date	1931
State Gaming Tax Rate	Graduated tax rate with a maximum tax of 6.75% on gross gaming revenue; additional fees and levies may be imposed by counties, municipalities and the state adding approximately 1% to the tax burden
Mode of Legalization	Legislative action
Visitor Volume	52.30 million

Sources: Nevada Gaming Control Board, Nevada Commission on Tourism



When compared to 2011 figures, Nevada casinos experienced a 1.5 percent increase in gross gaming revenue, while state and local governments received 0.4 percent more gaming tax revenue.

Win Revenue Summary - August 2013

Nevada's non-restricted gaming licensees reported a total "gaming win" of \$955,281,446 for the month of August 2013. This amounts to an 11.17% increase compared to August 2012, when licensees reported a gaming win of \$859,261,683. For the fiscal year (July 1, 2013 through August 31, 2013), gaming win has increased 0.85%.⁶¹

Nevada Online Gaming

In 2013, Nevada became the first state in the US to have a domestically licensed and regulated online poker room operating within its borders. Ultimate Poker, which launched on April 30, is regulated by the Nevada Gaming Control Board. Nevada only permits poker to be played over the Internet. Other forms of gambling are not allowed to be played online. Below is a legislative history of how Nevada adopted online gaming.

⁶¹ 2013 Nevada Gaming Control Board.

Nevada State Gaming Control Board

Gaming Revenue Report

(Taxable Revenue Amounts in 000s)

		Taxable Revenue by Area					
County/Area	Revenue Range	8/01/13 to	8/31/13	6/01/13 to	8/31/13	9/01/12 to	8/31/13
		Taxable Revenue	% Change	Taxable Revenue	% Change	Taxable Revenue	% Change
STATEWIDE	ALL NONRESTRICTED LOCATIONS	806,816	-1.04	2,484,706	1.90	10,176,409	2.47
	\$1,000,000 AND OVER REVENUE RANGE	801,308	-1.09	2,470,001	1.94	10,114,212	2.58
CARSON VALLEY AREA	ALL NONRESTRICTED LOCATIONS	8,755	1.24	25,588	0.05	97,639	-1.57
	\$1,000,000 AND OVER REVENUE RANGE	8,607	1.51	25,205	0.08	95,937	-1.26
CHURCHILL COUNTY	ALL NONRESTRICTED LOCATIONS	1,786	8.65	5,080	0.98	20,879	-0.22
CLARK COUNTY	ALL NONRESTRICTED LOCATIONS	665,717	-2.02	2,095,368	2.45	8,723,846	2.98
	\$1,000,000 AND OVER REVENUE RANGE	663,493	-1.97	2,088,659	2.57	8,693,393	3.12
CLARK COUNTY DOWNTOWN LAS VEGAS AREA	ALL NONRESTRICTED LOCATIONS	33,080	-7.27	109,864	-1.42	496,062	-2.40
	\$1,000,000 AND OVER REVENUE RANGE	32,574	-7.91	108,946	-1.60	491,280	-2.23
	\$12,000,000 AND OVER REVENUE RANGE	31,404	-8.22	105,466	-1.93	474,351	-2.43
CLARK COUNTY LAS VEGAS STRIP AREA	ALL NONRESTRICTED LOCATIONS	439,800	-0.84	1,357,117	3.28	5,574,951	5.54
	\$1,000,000 AND OVER REVENUE RANGE	439,638	-0.71	1,356,032	3.49	5,570,308	5.70
	\$12,000,000 TO \$36,000,000 REVENUE RANGE	10,378	-20.10	29,092	-23.15	134,476	-17.95
	\$36,000,000 TO \$72,000,000 REVENUE RANGE	22,657	-8.75	68,517	-3.31	285,172	-9.04
	\$72,000,000 AND OVER REVENUE RANGE	404,170	0.14	1,250,885	4.65	5,118,238	7.40
CLARK COUNTY NORTH LAS VEGAS AREA	ALL NONRESTRICTED LOCATIONS	16,708	-18.27	60,049	-6.59	253,857	-7.71
CLARK COUNTY LAUGHLIN AREA	ALL NONRESTRICTED LOCATIONS	35,160	4.81	108,671	5.35	460,459	-0.70
CLARK COUNTY BOULDER STRIP AREA	ALL NONRESTRICTED LOCATIONS	48,165	-14.63	179,615	-0.16	781,828	-0.51
CLARK COUNTY MESQUITE AREA	ALL NONRESTRICTED LOCATIONS	8,043	-1.92	23,915	-5.65	113,371	-4.62
CLARK COUNTY BALANCE OF COUNTY	ALL NONRESTRICTED LOCATIONS	84,762	3.82	256,137	3.68	1,043,318	0.59
	\$1,000,000 AND OVER REVENUE RANGE	83,975	3.92	253,360	3.57	1,031,974	0.63
DOUGLAS COUNTY SOUTH SHORE LAKE TAHOE AREA	ALL NONRESTRICTED LOCATIONS	24,914	0.61	58,311	-10.88	192,858	-4.57
ELKO COUNTY	ALL NONRESTRICTED LOCATIONS	22,231	7.23	64,955	0.12	259,853	-1.83
ELKO COUNTY WENDOVER AREA	ALL NONRESTRICTED LOCATIONS	14,219	9.92	40,686	-0.87	163,588	-2.76
ELKO COUNTY BALANCE OF COUNTY	ALL NONRESTRICTED LOCATIONS	8,011	2.77	24,269	1.83	96,265	-0.20
HUMBOLDT COUNTY	ALL NONRESTRICTED LOCATIONS	1,815	-5.69	5,474	1.71	21,363	0.19
LYON COUNTY	ALL NONRESTRICTED LOCATIONS	3,271	0.39	10,007	2.64	41,164	0.55
NYE COUNTY	ALL NONRESTRICTED LOCATIONS	3,566	-4.45	10,768	-5.96	47,796	-4.69
WASHOE COUNTY	ALL NONRESTRICTED LOCATIONS	72,904	5.72	203,572	2.13	748,275	1.64
	\$1,000,000 AND OVER REVENUE RANGE	71,520	5.21	200,753	1.78	736,583	1.58
WASHOE COUNTY RENO AREA	ALL NONRESTRICTED LOCATIONS	52,603	5.80	148,736	2.73	544,814	2.76
	\$1,000,000 AND OVER REVENUE RANGE	52,220	5.82	147,873	2.59	540,509	2.68
	\$1,000,000 TO \$12,000,000 REVENUE RANGE	2,491	9.92	7,093	7.83	27,553	9.75
	\$12,000,000 TO \$36,000,000 REVENUE RANGE	7,227	0.24	20,978	-1.61	77,927	-5.28
	\$36,000,000 AND OVER REVENUE RANGE	42,502	6.59	119,802	3.07	435,028	3.82
WASHOE COUNTY SPARKS AREA	ALL NONRESTRICTED LOCATIONS	11,799	8.71	31,597	3.18	120,590	-1.52
	\$1,000,000 AND OVER REVENUE RANGE	11,147	3.97	30,577	0.85	117,856	-1.92
WASHOE COUNTY NORTH SHORE LAKE TAHOE AREA	ALL NONRESTRICTED LOCATIONS	3,717	11.90	9,354	2.63	27,045	1.98
WASHOE COUNTY BALANCE OF COUNTY	ALL NONRESTRICTED LOCATIONS	4,786	-5.45	13,885	-6.23	55,827	-2.24
WHITE PINE COUNTY	ALL NONRESTRICTED LOCATIONS	762	-2.71	2,040	-9.53	8,143	-12.27
BALANCE OF COUNTIES	ALL NONRESTRICTED LOCATIONS	1,094	-21.57	3,543	-12.00	14,594	-1.87
	\$1,000,000 AND OVER REVENUE RANGE	798	-20.70	2,685	-10.80	10,748	-1.92

Page A-01

List of Casinos in Nevada

Alamo Casino and Travel Center - Las Vegas	Don Laughlin's Riverside Resort Hotel & Casino
Alamo Casino and Travel Center - Sparks	Downtown Grand Casino (Expected to open Fall 2013)
Aliante Station	Eastside Cannery
Aquarius Casino Resort	Edgewater Hotel Casino
Aria Resort & Casino	El Capitan Resort Casino
Arizona Charlie's - Boulder	El Cortez Hotel & Casino
Arizona Charlie's - Decatur	Eldorado Casino
Atlantis Casino Resort	Eldorado Hotel Casino
Avi Resort & Casino	Ellis Island Casino & Brewery
Baldini's Sports Casino	Emerald Island
Bally's Las Vegas	Encore Las Vegas
Barley's Casino & Brewing Co.	Eureka Casino & Hotel
Barton's Club 93	Excalibur Hotel-Casino
Bellagio	Fiesta Henderson Casino Hotel
Bighorn Casino	Fiesta Rancho Hotel & Casino
Bill's Gamblin Hall & Saloon	Flamingo Las Vegas
Binion's Gambling Hall and Hotel	Four Queens Hotel-Casino
Bonanza Casino	Four Way Bar-Cafe & Casino
Bonanza Inn & Casino	Fremont Hotel & Casino
Boomtown Hotel & Casino	Gansevoort Las Vegas
Bordertown Casino RV Resort (Reno)	Gold Coast Hotel & Casino
Boulder Station Hotel & Casino	Gold Dust West - Carson City
Bruno's Country Club	Gold Dust West - Elko
Buffalo Bill's Resort & Casino	Gold Strike Hotel & Gambling Hall
Cactus Pete's Resort Casino	Golden Gate Hotel & Casino
Caesars Palace	Golden Nugget Laughlin
Cal-Neva Resort Spa & Casino	Golden Nugget, The (Las Vegas)
California Hotel & Casino	Gold Town Casino (Pahrump)
Cannery Hotel & Casino	Grand Sierra Resort and Casino
Carson Nugget	Green Valley Ranch Resort Spa Casino
Carson Station Hotel Casino	Hacienda Hotel & Casino
Carson Valley Inn	Hard Rock Hotel & Casino s
CasaBlanca Hotel-Casino-Golf-Spa	Harrah's Lake Tahoe
Casino Fandango	Harrah's Las Vegas
Casino MonteLago	Harrah's Laughlin Casino & Hotel
Casino Royale Hotel & Casino	Harrah's Reno
Casino West	Harvey's Resort Hotel-Casino - Lake Tahoe
Circus Circus Hotel & Casino	Hooters Casino Hotel
Circus Circus Hotel Casino (Reno)	Horizon Casino Resort
Clarion Hotel and Casino	Horseshu Hotel & Casino
Club Cal-Neva-Virginian Hotel and Casino	Hotel Nevada & Gambling Hall
Club Fortune Casino	Hyatt Regency Lake Tahoe Resort & Casino
Colorado Belle Hotel Casino & Microbrewery	Indian Springs Casino
Commercial Casino	Jerry's Nugget
The Cosmopolitan of Las Vegas	John Ascuaga's Nugget
Crystal Bay Club Casino	Jokers Wild
D Las Vegas, The (Formerly known as Fitzgeralds Las Vegas)	Klondike Sunset Casino

List of Casinos in Nevada (continued)

Lakeside Casino and RV Park	Riviera Hotel & Casino
Lakeside Inn and Casino	Saddle West Hotel-Casino & RV Park
Las Vegas Auto-Truck Plaza	Sam's Town Hotel & Gambling Hall
Las Vegas Club Hotel & Casino	Sands Regency Hotel Casino, The
LVH - Las Vegas Hotel & Casino	Santa Fe Station Hotel & Casino
Longhorn Casino	Searchlight Nugget Casino
Longstreet Inn Casino & RV Resort	Silver Legacy Resort Casino
Lucky Club	Silver Nugget
Luxor Las Vegas	Sharkey's Casino
M Resort Spa Casino	Siegel Slots & Suites
Magic Star Casino	Siena Hotel Spa Casino
Main Street Station Hotel & Casino	Silver Saddle Saloon
Mandalay Bay	Silver Sevens Hotel & Casino
MGM Grand Hotel Casino	Silverton Casino Hotel Lodge
Mirage, The	Skyline Restaurant & Casino
Montego Bay Casino Resort	Slots-A-Fun Casino
Model T Hotel-Casino-RV Park	South Point Hotel and Casino
Montbleu Resort Casino & Spa	Stagecoach Hotel & Casino
Monte Carlo Resort & Casino	Stockman's Casino
Nevada Hotel & Casino	Stockmen's Hotel & Casino
New York-New York Hotel & Casino	Stratosphere Hotel & Casino
Opera House Saloon & Casino	Sturgeon's Casino
Orleans Hotel & Casino, The	Suncoast Hotel and Casino
Pahrump Nugget Hotel & Gambling Hall	Sunset Station Hotel and Casino
Palace Station Hotel & Casino	Tahoe Biltmore Lodge & Casino
Palazzo, The	Terrible's Gold Ranch (Verdi)
Palms, The	Terrible's Lakeside Casino & RV Park
Paris Casino Resort	Terrible's Rail City Casino (Sparks)
Peppermill Hotel Casino Reno	Texas Station
Peppermill Inn & Casino	Tonopah Station House
Pioneer Hotel & Gambling Hall	Topaz Lodge & Casino
Planet Hollywood Resort & Casino	Treasure Island - TI
Plaza Hotel & Casino	Tropicana Las Vegas
Poker Palace, The	Tropicana Laughlin
Primm Valley Resort & Casino	Tuscany Suites & Casino
Quad Resort & Casino, The s	Venetian Resort Hotel Casino
Railroad Pass Hotel & Casino	Virgin River Hotel-Casino-Bingo
Rainbow Hotel Casino	Wendover Nugget Hotel & Casino
Ramada Reno Hotel and Casino	Western Village Inn & Casino
Rampart Casino	Westin Las Vegas
Red Garter Hotel & Casino	Whiskey Pete's Hotel & Casino
Red Lion Hotel & Casino (Elko)	Wild Wild West Casino
Red Lion Inn & Casino (Winnemucca)	Wildfire Casino
Red Rock Resort Spa Casino	Winnemucca Inn
Rio Suites Hotel & Casino	Winners Hotel-Casino
River Palms Resort Casino	Wynn Las Vegas

Slot Win Per Unit Per Day - Las Vegas Strip - \$72 Million and Over Market

Year	Slots					
	Win (US\$ '000s)	% Change	Units	% Change	WPUPD (US\$)	% Change
2000	2,107,673	9.3	50,203	4.7	115	4.4
2001	2,055,412	(2.5)	47,175	(6.0)	119	3.8
2002	2,111,912	2.7	47,181	0.0	123	2.7
2003	2,160,261	2.3	43,787	(7.2)	135	10.2
2004	2,535,568	17.4	44,989	2.7	154	14.2
2005	2,789,933	10.0	43,377	(3.6)	176	14.1
2006	3,059,256	9.7	41,746	(3.8)	201	13.9
2007	3,142,884	2.7	40,050	(4.1)	215	7.1
2008	2,886,892	(8.1)	40,543	1.2	195	(9.3)
2009	2,471,788	(14.4)	38,660	(4.6)	175	(10.2)
2010	2,397,238	(3.0)	37,090	(4.1)	177	1.1
2011	2,507,853	4.6	37,304	0.6	184	4.0
2012	2,553,266	1.8	35,453	(5.0)	197	7.1
Annual % Chg.: 2000 - 2012		1.6 %		(2.9) %		4.6 %
Source: Nevada Gaming Control						

Table Games Per Unit Per Day - Las Vegas Strip - \$72 Million and Over Market

Year	Table Games					
	Win (US\$ '000s)	% Change	Units	% Change	WPUPD (US\$)	% Change
2000	2,134,219	7.5	2,173	8.2	2,691	(0.6)
2001	2,032,847	(4.7)	2,103	(3.2)	2,648	(1.6)
2002	1,944,706	(4.3)	2,060	(2.0)	2,586	(2.3)
2003	1,893,165	(2.7)	2,028	(1.6)	2,558	(1.1)
2004	2,170,121	14.6	2,126	4.8	2,797	9.3
2005	2,508,218	15.6	2,193	3.2	3,134	12.0
2006	2,860,963	14.1	2,223	1.4	3,526	12.5
2007	2,964,579	3.6	2,243	0.9	3,621	2.7
2008	2,596,219	(12.4)	2,289	2.1	3,107	(14.2)
2009	2,408,137	(7.2)	2,236	(2.3)	2,951	(5.0)
2010	2,656,197	10.3	2,215	(0.9)	3,285	11.3
2011	2,884,700	8.6	2,295	3.6	3,444	4.8
2012	2,986,086	3.5	2,269	(1.1)	3,606	4.7
Annual % Chg.: 2000 - 2012		2.8 %		0.4 %		2.5 %
Source: Nevada Gaming Control						

NEW JERSEY

Current # of Operating Casinos	12
Casino Format	Land-based
Casino Employees	34,726
Casino Employee Wages	\$912.22 million (includes tips)
Gross Casino Gaming Revenue	\$3.051 billion
Gaming Tax Revenue	\$254.84 million
How Taxes Spent	Senior citizens, disabled, economic revitalization programs
Legalization Date	1976
First Casino Opening Date	1978
State Gaming Tax Rate	8% tax on gross gaming revenue, plus a community investment alternative obligation of 1.25% of gross gaming revenue (or an investment alternative 2.5% on gross gaming revenue)
Mode of Legalization	Statewide vote, legislative action
Visitor Volume	27.70 million

Sources: New Jersey Casino Control Commission, South Jersey Transportation Authority



The opening of the state's newest casino, Revel Atlantic City, in April led to a 5.8 percent increase in employment compared to 2011, but the strength and growth of regional competition and Hurricane Sandy led to an 8.0 percent decline in gross gaming revenue and an 8.2 percent drop in gaming tax revenue.

Atlantic City

Atlantic Club – The Atlantic Club is a Casino in Atlantic City, New Jersey and is open daily 24 hours. The casino's 75,374 square foot gaming space features 1,488 gaming machines and sixty table games. The property has seven restaurants, five bars and a hotel with 809 rooms.

Bally's - Bally's Atlantic City is in Atlantic City, New Jersey and is open daily 24 hours (slots); table games weekdays 11am-4am, weekends 24 hours. The casino's 104,100 square foot gaming space features 2,320 gaming machines and 167 table and poker games. The property has thirteen restaurants, one bar and a hotel with 1,750 rooms.

Borgata - Borgata Hotel Casino and Spa is in Atlantic City, New Jersey and is open daily 24 hours. The casino's 161,000 square foot gaming space features 3,700 gaming machines and 259 table and poker games. The property has twelve restaurants, four bars and a hotel with 2,002 rooms.

Caesars - Caesars Atlantic City is a Casino in Atlantic City, New Jersey and is open daily 24 hours. The casino's 111,800 square foot gaming space features 2,190 gaming machines and 204 table and poker games. The property has sixteen restaurants and a hotel with 1,140 rooms.

Golden Nugget - Golden Nugget is a Casino in Atlantic City, New Jersey and is open daily 24 hours. The casino's 80,000 square foot gaming space features 1,500 gaming machines and ninety table and poker games. The property has ten restaurants, one bar and a hotel with 728 rooms.

Harrah's - Harrah's Resort Atlantic City is a Casino in Atlantic City, New Jersey and is open daily 24 hours. The casino's 158,500 square foot gaming space features 2,630 gaming machines and 220 table and poker games. The property has thirteen restaurants, three bars and two hotels with 2,590 rooms.

Resorts - Resorts Casino Hotel is in Atlantic City, New Jersey and is open daily 24 hours. The casino's 100,000 square foot gaming space features 2,125 gaming machines and eighty-seven table games. The property has seven restaurants, two bars and a hotel with 942 rooms.

Revel - Revel Casino Hotel is in Atlantic City, New Jersey and is open daily 24 hours. The casino's 130,000 square foot gaming space features 2,439 gaming machines and ninety-seven table games. The property has ten restaurants, one bar and a hotel with 1,800 rooms.

Showboat - Showboat Atlantic City is a Casino in Atlantic City, New Jersey and is open daily 24 hours. The casino's 108,900 square foot gaming space features 2,290 gaming machines and 134 table and poker games. The property has seven restaurants, four bars and two hotels with 1,331 rooms.

Tropicana - Tropicana Atlantic City Casino & Resort is in Atlantic City, New Jersey and is open daily 24 hours. The casino's 132,896 square foot gaming space features 2,677 gaming machines and 143 table and poker games. The property has seventeen restaurants, one bar and a hotel with 2,079 rooms.

Trump Plaza - Trump Plaza Hotel & Casino is in Atlantic City, New Jersey and is open daily 24 hours. The casino's 91,181 square foot gaming space features 1,688 gaming machines and sixty-nine table games. The property has eleven restaurants, two bars and a hotel with 728 rooms.

Taj Mahal - Trump Taj Mahal Casino Resort is in Atlantic City, New Jersey and is open daily 24 hours. The casino's 167,321 square foot gaming space features 2,648 gaming machines and 201 table and poker games. The property has nineteen restaurants, one bar and two hotels with 2,248 rooms.

New Jersey Horse Tracks

East Rutherford - Meadowlands Racetrack

Freehold - Freehold Raceway

Mays Landing - Atlantic City Racetrack

Oceanport - Monmouth Park

Online Gaming

New Jersey is the third state in the nation to offer online gambling, along with Nevada and Delaware. The state is preparing for the launch of online gambling on Nov. 26 2013 after a five-day invitation-only test period to make sure all the systems work properly.

<u>State</u>	<u>Property</u>	<u>Avg Slots</u>	<u>Net Revenue</u>	<u>WUD</u>	<u>Tables</u>	<u>Table</u>	<u>WUD</u>
New Jersey	Bally's Atlantic City	2,322	\$ 197,915,229	\$ 234	138	\$ 98,112,689	\$ 1,948
	Borgata Hotel Casino and Spa	3,305	\$ 417,234,016	\$ 346	261	\$ 195,457,441	\$ 2,052
	Caesars Atlantic City	2,193	\$ 229,462,232	\$ 287	177	\$ 129,102,488	\$ 1,998
	Golden Nugget - Atlantic City	1,506	\$ 97,278,949	\$ 177	91	\$ 33,171,681	\$ 999
	Harrah's Resort	2,626	\$ 297,882,399	\$ 311	179	\$ 101,357,509	\$ 1,551
	Resorts Casino Hotel	1,935	\$ 99,141,237	\$ 140	70	\$ 31,691,937	\$ 1,240
	Revel Casino Hotel	2,410	\$ 80,264,208	\$ 120	148	\$ 42,051,867	\$ 778
	Showboat Atlantic City	2,294	\$ 180,807,068	\$ 216	114	\$ 44,603,297	\$ 1,072
	The Atlantic Club	1,484	\$ 110,677,038	\$ 204	58	\$ 16,498,019	\$ 779
	Tropicana Atlantic City	2,677	\$ 190,371,544	\$ 195	143	\$ 59,622,147	\$ 1,142
	Trump Plaza Hotel & Casino	1,594	\$ 83,118,505	\$ 143	64	\$ 19,387,100	\$ 830
	Trump Taj Mahal Casino Resort	2,535	\$ 206,902,415	\$ 224	187	\$ 88,589,664	\$ 1,298

63

NEW YORK

Current # of Operating Casinos	9
Casino Format	Racetrack casinos with publicly-run video lottery terminals with distributions to operators
Casino Employees	5,233
Casino Employee Wages	\$189.63 million (includes tips and benefits)
Gross Casino Gaming Revenue	\$1.802 billion
Gaming Tax Revenue	\$822.67 million
How Taxes Spent	Education
Legalization Date	2001
First Casino Opening Date	2004
Revenue Retained by Operator	34.90%
Mode of Legalization	Legislative action
Visitor Volume	Data not available

Note: New York wage and employment data includes eight of nine properties, as one declined to participate in data collection. 2011 data was used for two properties because they declined to provide 2012 information.

Sources: New York Racing and Wagering Board, New York Lottery, individual properties



The first full year of operations of Resorts World New York in Queens, New York City was the driving force behind significant gains in gaming revenue (+43.1 percent) and tax receipts (+38.6 percent) when compared to 2011 figures.

Buffalo

Seneca Buffalo Creek Casino - Seneca Buffalo Creek Casino is a Native American Casino in Buffalo, New York and is open daily 24 hours. The casino's 15,300 square foot gaming space features 808 gaming machines and eighteen table games. The property has one restaurant.

Hogansburg

Akwesasne Mohawk Casino Resort - Akwesasne Mohawk Casino Resort is a Native American Casino in Hogansburg, New York and is open daily 24 hours. The casino's 52,500 square foot gaming space features 2,524 gaming machines and thirty-eight table and poker games. The property has four restaurants and two hotels with 150 rooms.

Three Feathers Casino - Three Feathers Casino is in Hogansburg, New York and is open Sun-Wed 11am-10pm, Thu 11am-11pm, Fri-Sat 11am-midnight. The casino's gaming space features 400 gaming machines.

Irving

Seneca Gaming and Entertainment - Seneca Gaming and Entertainment is a Native American Casino in Irving, New York and is open Sun-Thu 9:30am-2am, Fri-Sat 9:30am-4:30am. The casino's 25,000 square foot gaming space features 500 gaming machines. The property has one restaurant.

Jamaica

Resorts World Casino New York City - Resorts World Casino New York City is in Jamaica, New York and is open daily 8am-4am. The casino's 330,000 square foot gaming space features 5,000 gaming machines. The property has eleven restaurants.

Aqueduct Racetrack - Aqueduct Racetrack is a horse racing facility in Jamaica, New York with three tracks that feature thoroughbred racing and is open Oct-May, Wed-Sun 10:45am-7:30pm. The property has four restaurants and two bars.

Niagara Falls

Seneca Niagara Casino & Hotel - Seneca Niagara Casino & Hotel is a Native American Casino in Niagara Falls, New York and is open daily 24 hours. The casino's 147,000 square foot gaming space features 4,000 gaming machines and 124 table and poker games. The property has seven restaurants and a hotel with 604 rooms.

Salamanca

Seneca Allegany Casino & Hotel - Seneca Allegany Casino & Hotel is a Native American Casino in Salamanca, New York and is open daily 24 hours. The casino's 68,300 square foot gaming space features 2,000 gaming machines and thirty-six table games. The property has five restaurants and a hotel with 212 rooms.

Seneca Gaming and Entertainment - Seneca Gaming and Entertainment is a Native American Casino in Salamanca, New York and is open Sun-Thu 9:30am-1am, Fri-Sat 9:30am-2am. The casino's 15,000 square foot gaming space features 280 gaming machines and ten poker games. The property has one restaurant.

Union Springs

Lakeside Entertainment - Lakeside Entertainment is a Native American Casino in Union Springs, New York and is open Sun-Thu 10am-10pm, Fri-Sat 10am-2am. The casino's gaming space features eighty-six gaming machines.

Verona

Turning Stone Resort Casino - Turning Stone Resort Casino is a Native American Casino in Verona, New York and is open daily 24 hours. The casino's 125,000 square foot gaming space features 2,162 gaming machines and 117 table and poker games. The property has seventeen restaurants and five hotels with 709 rooms.

New York Horse Track Racinos

Batavia

Batavia Downs Casino - Batavia Downs Casino is a horse track in Batavia, New York that features harness racing and is open Mon-Sun 10am-4am. The horse track racino's 60,000 square foot gaming space features 647 gaming machines. The property has three restaurants.

Farmington

Finger Lakes Casino & Racetrack - Finger Lakes Casino & Racetrack is a one mile horse track in Farmington, New York that features thoroughbred racing and is open daily 9am-4am. The horse track racino's 30,000 square foot gaming space features 1,200 gaming machines. The property has five restaurants.

Hamburg

Hamburg Casino - Hamburg Casino is a horse track in Hamburg, New York that features harness racing and is open daily 8am-4am. The horse track racino's 66,000 square foot gaming space features 940 gaming machines. The property has three restaurants and one bar.

Monticello

Monticello Casino and Raceway - Monticello Casino and Raceway is a horse track in Monticello, New York that features harness racing and is open Mon-Thu 10am-2am, Fri-Sat 10am-4am. The horse track racino's 40,000 square foot gaming space features 1,545 gaming machines. The property has four restaurants.

Nichols

Tioga Downs Casino - Tioga Downs Casino is in Nichols, New York with two tracks that feature harness racing and is open Sun-Thu 9am-2am, Fri-Sat 9am-3am. The horse track racino's 19,000 square foot gaming space features 800 gaming machines. The property has three restaurants and one bar

Saratoga Springs

Saratoga Casino and Raceway - Saratoga Casino and Raceway is in Saratoga Springs, New York with four tracks that feature harness racing and is open daily 9am-4am. The horse track racino's 55,000 square foot gaming space features 1,778 gaming machines. The property has five restaurants and two bars.

Vernon

Vernon Downs Casino & Hotel - Vernon Downs Casino & Hotel is a horse track in Vernon, New York that features harness racing and is open Sun-Wed 9am-2am, Thu-Sat 9am-3am. The horse track racino's 34,500 square foot gaming space features 761 gaming machines. The property has six restaurants, one bar and a hotel with 175 rooms.

Yonkers

Empire City at Yonkers Raceway - Empire City at Yonkers Raceway is a half-mile horse track in Yonkers, New York that features harness racing and is open daily 9am-4am. The horse track racino's 120,000 square foot gaming space features 5,300 gaming machines. The property has five restaurants and two bars.

New York Horse Tracks

Elmont - Belmont Park

Jamaica - Aqueduct Racetrack

Saratoga Springs - Saratoga Race Course

<u>State</u>	<u>Property</u>	<u>Avg Slots</u>	<u>Net Revenue</u>	<u>WUD</u>	<u>Tables</u>	<u>Table Win</u>	<u>WUD</u>
New York	Resorts World	5,005	\$ 814,288,519	\$ 443	N/A	N/A	N/A
	Empire City Casino	5,339	\$ 48,998,639	\$ 300	N/A	N/A	N/A

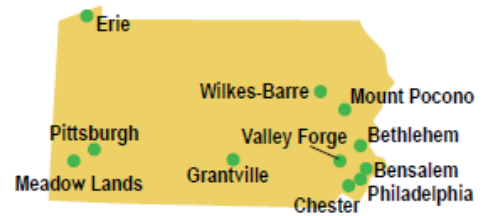
64

PENNSYLVANIA

Current # of Operating Casinos	11
Casino Format	Land-based and racetrack casinos with slots and table games
Casino Employees	10,162
Casino Employee Wages	\$339.77 million (includes tips and benefits)
Gross Casino Gaming Revenue	\$3.158 billion
Gaming Tax Revenue	\$1.487 billion
How Taxes Spent	Property tax relief, economic development, tourism, horse racing industry, host local government
Legalization Date	2004
First Casino Opening Date	2007
State Gaming Tax Rate	Slot Machines: 55% tax – 34% to state gaming fund, 12% to horse racing industry, 5% to economic development, 4% to local and county governments; Table Games: 16% tax – 14% to general fund, 2% to local county municipalities
Mode of Legalization	Legislative action
Visitor Volume	Data not available

Note: Pennsylvania wage and employment data includes seven of 11 properties, as four declined to participate in data collection.

Sources: Pennsylvania Gaming Control Board, individual properties



Economic recovery and the continued success of existing properties combined with the opening of the state's 11th casino in Valley Forge to drive Pennsylvania's 2012 increases in gaming revenue (+4.6 percent) and tax receipts (+2.1 percent) when compared to 2011 figures. Pennsylvania's statewide gaming revenue was the second largest in the country during 2012, moving past New Jersey for the first time.

Bethlehem

Sands Casino Resort Bethlehem - Sands Casino Resort Bethlehem is in Bethlehem, Pennsylvania and is open daily 24 hours. The casino's 139,000 square foot gaming space features 3,024 gaming machines and 182 table and poker games. The property has eight restaurants and a hotel with 300 rooms.

Farmington

Lady Luck Casino Nemacolin - Lady Luck Casino Nemacolin is in Farmington, Pennsylvania. The casino's gaming space features 600 gaming machines and twenty-eight table games.

King of Prussia

Valley Forge Casino Resort - Valley Forge Casino Resort is in King of Prussia, Pennsylvania and is open daily 24 hours. The casino's 50,000 square foot gaming space features 600 gaming machines and sixty-five table and poker games. The property has seven restaurants and a hotel with 488 rooms.

Mount Pocono

Mount Airy Casino Resort - Mount Airy Casino Resort is in Mount Pocono, Pennsylvania and is open daily 24 hours. The casino's 65,144 square foot gaming space features 2,300 gaming machines and eighty-eight table and poker games. The property has four restaurants and a hotel with 188 rooms.

Philadelphia

SugarHouse Casino - SugarHouse Casino is in Philadelphia, Pennsylvania and is open daily 24 hours. The casino's 51,017 square foot gaming space features 1,602 gaming machines and fifty-four table games. The property has two restaurants.

Pittsburgh

Rivers Casino - Rivers Casino is in Pittsburgh, Pennsylvania and is open daily 24 hours. The casino's 400,000 square foot gaming space features 2,954 gaming machines and 137 table and poker games. The property has five restaurants and three bars.

Pennsylvania Horse Track Racinos

Bensalem

Parx Casino - Parx Casino is in Bensalem, Pennsylvania with two tracks that feature thoroughbred racing and is open daily 11am-midnight. The horse track racino's 260,000 square foot gaming space features 3,500 gaming machines and 180 table and poker games. The property has eight restaurants.

Chester

Harrah's Philadelphia - Harrah's Philadelphia is a horse track in Chester, Pennsylvania that features harness racing and is open daily 24 hours. The horse track racino's 110,500 square foot gaming space features 2,873 gaming machines and 119 table and poker games. The property has six restaurants and three bars.

Erie

Presque Isle Downs & Casino - Presque Isle Downs & Casino is a polytrack horse track in Erie, Pennsylvania that features thoroughbred racing and is open daily 24 hours. The horse track racino's gaming space features 1,720 gaming machines and forty-nine table and poker games. The property has three restaurants and three bars.

Grantville

Hollywood Casino at Penn National Race Course - Hollywood Casino at Penn National Race Course is a one mile horse track in Grantville, Pennsylvania that features thoroughbred racing and is open daily 24 hours. The horse track racino's 97,985 square foot gaming space features 2,483 gaming machines and sixty-six table and poker games. The property has six restaurants.

Washington

The Meadows Racetrack and Casino - The Meadows Racetrack and Casino is a horse track in Washington, Pennsylvania that features harness racing and is open daily 24 hours. The horse track racino's 350,000 square foot gaming space features 3,317 gaming machines and seventy-eight table and poker games. The property has seven restaurants.

Wilkes Barre

Mohegan Sun at Pocono Downs - Mohegan Sun at Pocono Downs is a 5/8 mile dirt horse track in Wilkes Barre, Pennsylvania that features harness racing and is open daily 24 hours. The horse track racino's 82,000 square foot gaming space features 2,331 gaming machines and eighty-four table and poker games. The property has ten restaurants and one bar.

65

<u>State</u>	<u>Property</u>	<u>Avg Slots</u>	<u>Net Revenue</u>	<u>WUD</u>	<u>Tables</u>	<u>Table Win</u>	<u>WUD</u>
Pennsylvania	Mohegan Sun	2,332	\$ 224,326,145	\$ 264	84	\$ 42,923,506	\$ 1,400
	Parx	3,376	\$ 376,418,086	\$ 306	165	\$ 110,307,984	\$ 1,827
	Harrah's Philadelphia	2,793	\$ 249,568,812	\$ 245	122	\$ 80,330,840	\$ 1,804
	Presque Isle	1,911	\$ 138,463,135	\$ 200	51	\$ 14,956,139	\$ 809
	The Meadows	3,316	\$ 240,805,246	\$ 199	80	\$ 35,983,833	\$ 1,232
	Mount Airy	2,030	\$ 146,594,808	\$ 198	72	\$ 39,224,667	\$ 1,492
	Penn National	2,467	\$ 238,200,029	\$ 265	69	\$ 37,810,041	\$ 1,496
	Sands Bethlehem	3,018	\$ 290,903,382	\$ 264	166	\$ 165,378,077	\$ 2,734
	The Rivers	2,885	\$ 283,332,873	\$ 269	115	\$ 69,280,996	\$ 1,649
	SugarHouse	1,605	\$ 184,283,208	\$ 315	57	\$ 85,318,943	\$ 4,134
	Valley Forge	600	\$ 55,944,930	\$ 256	50	\$ 31,583,280	\$ 1,731
	Nemacolin	600	N/A	N/A	50	N/A	N/A

RHODE ISLAND

Current # of Operating Casinos	2
Casino Format	Racetrack casinos with publicly-run video lottery terminals with distributions to operators
Casino Employees	N/A
Casino Employee Wages	N/A
Gross Casino Gaming Revenue	\$527.96 million
Gaming Tax Revenue	\$328.98 million (FY 2012)
How Taxes Spent	General fund
Legalization Date	1992
First Casino Opening Date	1992
Revenue Retained by Operator	27.58% ¹
Mode of Legalization	Legislative action
Visitor Volume	Data not available

Note: Both properties in Rhode Island declined to provide employment and wage data.

¹FY 2012 data was used to calculate the percentage of revenue retained by operator.

Sources: Rhode Island Lottery, individual properties



Due in part to the recovering overall economy, Rhode Island's two casinos brought in more gross gaming revenue (+2.9 percent) in 2012 than in 2011, and generated more tax revenue (+6.6 percent) in FY 2012 than they did in FY 2011.

Lincoln

Twin River Casino - Twin River Casino is a dog track in Lincoln, Rhode Island that features greyhound racing and is open daily 24 hours. The dog track racino's 300,000 square foot gaming space features 4,500 gaming machines and sixty-six table games. The property has fifteen restaurants and two bars.

Newport

Newport Grand - Newport Grand is a Casino in Newport, Rhode Island and is open daily 10am-1am. The casino's 50,000 square foot gaming space features 1,070 gaming machines. The property has two restaurants.

State	Property	Avg Slots	Net Revenue	WUD	Tables	Table Win	WUD
Rhode Island	Twin Rivers	4,700	\$ 473,478,000	\$ 276	66	\$ 5,755,660	\$ 2,813
	Newport Grand	1,088	\$ 48,120,638	\$ 121			

WEST VIRGINIA

Current # of Operating Casinos	5
Casino Format	Racetrack casinos with publicly run video lottery terminals and table games with distributions to operators, one land-based commercial casino
Casino Employees	4,351
Casino Employee Wages	\$134.68 million
Gross Casino Gaming Revenue	\$948.81 million
Gaming Tax Revenue	\$402.50 million
How Taxes Spent	Education, senior citizens, tourism
Legalization Date	1994
First Casino Opening Date	1994
Revenue Retained by Operator	47.11%
Mode of Legalization	Local option vote, legislative action
Visitor Volume	Data not available

Note: West Virginia wage and employment data includes four of five properties, as one declined to participate in data collection. 2011 data was used for two properties because they declined to provide 2012 information.

Sources: West Virginia Lottery, individual properties



Increased competition from new casinos in neighboring states played a role in keeping West Virginia from experiencing the gaming growth seen by other states. Compared to 2011 figures, casinos in West Virginia saw their gross gaming revenues and direct gaming tax receipts both decline by 1.0 percent in 2012.

White Sulphur Springs

The Casino Club at The Greenbrier - The casino's 103,000 square foot gaming space features 320 gaming machines and thirty-seven table games. The property has one restaurant.

Cross Lanes

Mardi Gras Casino & Resort - Mardi Gras Casino & Resort is a dog track in Cross Lanes, West Virginia that features greyhound racing and is open daily 24 hours. The dog track racino's 60,000 square foot gaming space features 1,062 gaming machines and seventy tables.

Wheeling

Wheeling Island Racetrack and Gaming Center - is a dog track in Wheeling, West Virginia that features greyhound racing and is open daily 7am-4am. The racino's 90,000 square foot gaming space features 1,800 gaming machines and sixty-two table and poker games. The property has six restaurants and a hotel with 151 rooms.

Charles Town

Hollywood Casino - Charles Town - Hollywood Casino is a six furlongs horse track in Charles Town, West Virginia that features thoroughbred racing and is open daily 24 hours. The horse track racino's 184,348 square foot gaming space features 4,500 gaming machines and 112 table and poker games. The property has seven restaurants and a hotel with 153 rooms.

Chester

Mountaineer Casino, Racetrack & Resort - Mountaineer Casino, Racetrack & Resort is a horse track in Chester, West Virginia that features thoroughbred racing and is open daily 24 hours. The horse track racino's 121,986 square foot gaming space features 2,145 gaming machines and fifty-nine table and poker games. The property has seven restaurants, one bar and a hotel with 354 rooms.

<u>State</u>	<u>Property</u>	<u>Avg Slots</u>	<u>Net Revenue</u>	<u>WUD</u>	<u>Tables</u>	<u>Table</u>	<u>WUD</u>
West Virginia	Mountaineer	1,980	\$ 41,262,132	\$ 215	51	\$ 30,047,235	\$ 1,614
	Wheeling Island	1,401	\$ 24,101,943	\$ 177	32	\$ 12,840,323	\$ 1,099
	Tri-State	977	\$ 13,186,709	\$ 139	54	\$ 20,025,588	\$ 1,016
	Charles Town	3,197	\$ 86,415,661	\$ 279	125	\$ 160,290,084	\$ 3,513
	Greenbrier Casino Club	316	\$ 4,950,083	\$ 296	37	\$ 6,182,748	\$ 458
	Mardi Gras	1,200					

67

Comparator State Summary

State	License Fee	Minimum Investment	Property	VLT Tax%	Casino Sq. Ft.	Avg Slots	Net Revenue	WUD	Table Games Tax %	Tables	Table Win	WUD
Maine	\$ 250,000 Fee	N/A		Racetrack 39% Net					Racetrack 16% Net			
	\$5,000,000 competitive bid.			Non-racetrack 46% Net					Non-racetrack 16% Net			
		N/A	Hollywood	40%	10,000	918	\$ 56,212,926	\$ 145	16%	16	\$ 7,569,321	\$ 2,311
			Oxford	46%	25,000	809	\$ 60,578,987	\$ 205	16%	22	\$ 1,796,340	\$ 1,669
Rhode Island	N/A	N/A		71%					18%			
	N/A	N/A	Twin Rivers	71%	300,000	4,700	\$ 473,478,000	\$ 276	18%	66	\$ 5,755,660	\$ 2,813
	N/A	N/A	Newport Grand	71%	50,000	1,088	\$ 48,120,638	\$ 121	N/A			
New York												
			Resorts World	47%	330,000	5,005	\$ 814,288,519	\$ 443				
			Empire City Casino	47%	120,000	5,339	\$ 48,998,639	\$ 300				
Delaware	N/A	N/A		56.5%					33.9%			
	N/A	N/A	Delaware Park	56.5%	78,520	2,376	\$ 175,920,100	\$ 203	33.9%	89	\$ 18,021,696	\$ 838
	N/A	N/A	Dover Downs	56.5%	165,000	2,488	\$ 177,109,800	\$ 195	33.9%	59	\$ 14,255,799	\$ 994
	N/A	N/A	Harrington	56.5%	140,000	1,815	\$ 94,727,800	\$ 143	33.9%	42	\$ 7,420,323	\$ 727
Pennsylvania												
	\$50,000,000 - Slots	N/A	Mohegan Sun	55%	82,000	2,332	\$ 224,326,145	\$ 264	12.0%	84	\$ 42,923,506	\$ 1,400
	\$16,500,000 - Tables											
	\$50,000,000 - Slots	N/A	Parx	55%	260,000	3,376	\$ 376,418,086	\$ 306	12.0%	165	\$ 110,307,984	\$ 1,827
	\$16,500,000 - Tables											
	\$50,000,000 - Slots	N/A	Harrah's Philadelphia	55%	110,500	2,793	\$ 249,568,812	\$ 245	12.0%	122	\$ 80,330,840	\$ 1,804
	\$16,500,000 - Tables											
	\$50,000,000 - Slots	N/A	Presque Isle	55%	48,074	1,911	\$ 138,463,135	\$ 200	12.0%	51	\$ 14,956,139	\$ 809
	\$16,500,000 - Tables											
	\$50,000,000 - Slots	N/A	The Meadows	55%	350,000	3,316	\$ 240,805,246	\$ 199	12.0%	80	\$ 35,983,833	\$ 1,232
	\$16,500,000 - Tables											
	\$50,000,000 - Slots	Competitive selection	Mount Airy	55%	65,144	2,030	\$ 146,594,808	\$ 198	12.0%	72	\$ 39,224,667	\$ 1,492
	\$7,500,000 - Tables											
	\$50,000,000 - Slots	N/A	Penn National	55%	97,985	2,467	\$ 238,200,029	\$ 265	12.0%	69	\$ 37,810,041	\$ 1,496
	\$16,500,000 - Tables											
	\$50,000,000 - Slots	Competitive selection	Sands Bethlehem	55%	139,000	3,018	\$ 290,903,382	\$ 264	12.0%	166	\$ 165,378,077	\$ 2,734
	\$7,500,000 - Tables											
	\$50,000,000 - Slots	Competitive selection	The Rivers	55%	400,000	2,885	\$ 283,332,873	\$ 269	12.0%	115	\$ 69,280,996	\$ 1,649
	\$7,500,000 - Tables											
	\$50,000,000 - Slots	Competitive selection	SugarHouse	55%	51,017	1,605	\$ 184,283,208	\$ 315	12.0%	57	\$ 85,318,943	\$ 4,134
	\$7,500,000 - Tables											
	\$50,000,000 - Slots	Competitive selection	Valley Forge	55%	50,000	600	\$ 55,944,930	\$ 256	12.0%	50	\$ 31,583,280	\$ 1,731
	\$7,500,000 - Tables											
	\$50,000,000 - Slots	Competitive selection	Nemacolin	55%	35,000	600				50		
	\$7,500,000 - Tables											

Comparator State Summary (continued)

State	License Fee	Minimum Investment	Property	VLT Tax%	Casino Sq. Ft.	Ft. Avg Slots	Net Revenue	WUD	Table Games Tax %	Tables	Table Win	WUD
Connecticut	N/A	N/A		25%						No Tax on Table Games		
	N/A	N/A	Foxwoods	25%	344,000	6,123	\$ 542,750,408	\$ 243	N/A			
	N/A	N/A	Mohegan Sun	25%	350,000	5,656	\$ 628,801,430	\$ 305	N/A			
New Jersey	\$200,000 \$500/slot annual license	Requires a casino have a hotel with minimum 500 rooms		8% tax on gross gaming revenue 2.5% of gross gaming revenue or alternative investment equal to 1.5% of gross revenue								
			Bally's Atlantic City	9.5%	104,100	2,322	\$ 197,915,229	\$ 234	9.5%	138	\$ 98,112,689	\$ 1,948
			Borgata Hotel Casino and Spa	9.5%	161,000	3,305	\$ 417,234,016	\$ 346	9.5%	261	\$ 195,457,441	\$ 2,052
			Caesars Atlantic City	9.5%	111,800	2,193	\$ 229,462,232	\$ 287	9.5%	177	\$ 129,102,488	\$ 1,998
			Golden Nugget - Atlantic City	9.5%	80,000	1,506	\$ 97,278,949	\$ 177	9.5%	91	\$ 33,171,681	\$ 999
			Harrah's Resort	9.5%	158,500	2,626	\$ 297,882,399	\$ 311	9.5%	179	\$ 101,357,509	\$ 1,551
			Resorts Casino Hotel	9.5%	100,000	1,935	\$ 99,141,237	\$ 140	9.5%	70	\$ 31,691,937	\$ 1,240
			Revel Casino Hotel	9.5%	130,000	2,410	\$ 80,264,208	\$ 120	9.5%	148	\$ 42,051,867	\$ 778
			Showboat Atlantic City	9.5%	108,900	2,294	\$ 180,807,068	\$ 216	9.5%	114	\$ 44,603,297	\$ 1,072
			The Atlantic Club	9.5%	75,374	1,484	\$ 110,677,038	\$ 204	9.5%	58	\$ 16,498,019	\$ 779
			Tropicana Atlantic City	9.5%	132,896	2,677	\$ 190,371,544	\$ 195	9.5%	143	\$ 59,622,147	\$ 1,142
			Trump Plaza Hotel & Casino	9.5%	91,181	1,594	\$ 83,118,505	\$ 143	9.5%	64	\$ 19,387,100	\$ 830
			Trump Taj Mahal Casino Resort	9.5%	167,321	2,535	\$ 206,902,415	\$ 224	9.5%	187	\$ 88,589,664	\$ 1,298
West Virginia			Mountaineer	56.7		1,980	\$ 41,262,132	\$ 215		51	\$ 30,047,235	1614
			Wheeling Island	56.7	90,000	1,800	\$ 24,101,943	\$ 177		62	\$ 12,840,323	567
			Tri-State	56.7		977	\$ 13,186,709	\$ 139		54	\$ 20,025,588	1016
			Charles Town	56.7		3,197	\$ 86,415,661	\$ 279		125	\$ 160,290,084	3513
			Greenbrier Casino Club	56.7	103,000	316	\$ 4,950,083	\$ 296		37	\$ 6,182,748	458
			Mardi Gras	56.7	60,000	1,200						
Maryland	\$3,000,000 per 500 VLTs \$425/VLT-\$500/table Ann.	\$25,000,000 per 500 VLTs										
	\$3,000,000 per 500 VLTs \$425/VLT-\$500/table Ann.	N/A	Hollywood Casino Perryville	67%	34,000	1,500	\$ 77,659,342	\$ 190	20%	22	\$ 12,612,195.63	\$ 1,571
	\$3,000,000 per 500 VLTs \$425/VLT-\$500/table Ann.	N/A	Casino at Ocean Downs	67%	34,000	800	\$ 40,796,392	\$ 187	20%	0	N/A	N/A
	\$3,000,000 per 500 VLTs \$425/VLT-\$500/table Ann.	N/A	Maryland LIVE	67%	160,000	4,332	\$ 333,113,993	\$ 282	20%	172	\$ 95,112,248.54	\$ 1,515
	Reduced for resort facility	Reduced for resort facility	Rocky Gap	43%	10000	550	\$ 36,640,669	\$ 183	20%	10	\$ 5,570,524.61	\$ 1,526
Nevada Las Vegas Strip \$72 Million and Over Market	Quarterly License Fee \$20,300 + \$25/table over 35 Slot Machine Quarterly License Fee \$ 20/slot	N/A		6.75% tax on gross revenue Slot Machine Annual Tax: \$250/slot Slot Machine Quarterly License Fee \$ 20/slot		35,453	\$ 2,553,266,000	\$ 197	6.75% tax on gross revenue Table Game Annual Tax \$16,000 + \$200/table over 16 Quarterly License Fee \$20,300 + \$25/table over 35	2269	\$ 2,986,086,000	\$ 3,606

Financial Information

Application, licensing, and other fees

Application, licensing, and other fees or penalties, including provisions for licensee / applicant payment of investigation and other related costs.

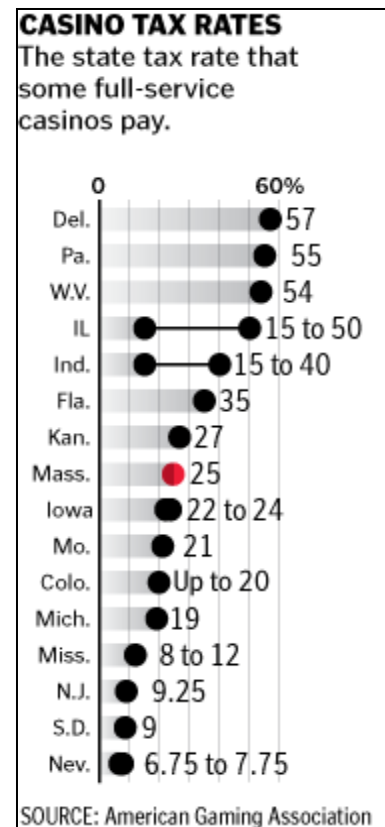
To make sure the integrity and viability of applicants, thorough background checks and investigation are required. Given our review and research, a \$400,000 to \$500,000 application fee to fund the due diligence and background investigations would be a fair cost to the bidders and sufficient to cover the associated costs of performing these checks. This amount will also help to identify only serious bidders who can afford this initial cost.

Rates of Taxation

Rates of taxation or other allocation of gambling proceeds (i.e. host amount, compulsive gambling, mutual brand development, etc...)

The tax rate must be competitive with Massachusetts as the New Hampshire facility may be competing with gaming facilities in Boston/Everett and to a lesser extent with Springfield/Palmer and perhaps Leominster. Given the 25% stated gaming tax rate in Massachusetts, New Hampshire must be competitive in establishing a gaming tax rate in order to attract required investment, higher quality operators, reinvestment in assets and patrons alike and to be able to offer the array of quality amenities to attract out of state visitors as well as to appeal to the local market. However, 25% is not a true indication of their “effective” rate to any operator.

In reality, Massachusetts does include broad assessments as part of SB 152, including a \$600 annual fee per slott machine and “any remaining costs of the commission necessary to maintain regulatory control over gaming establishments that are not covered by ... any other designated sources of funding shall be assessed annually on gaming licensees under this chapter”, and in addition assesses a \$5 million fee “for the costs of service and public health programs dedicated to addressing problems associated with compulsive gambling or other addiction services, based on number of gaming commission.” Taken together, this adds about another 2.5% “tax” on gaming revenue which needs to be considered in any comparison with New Hampshire gaming tax rates.



Another aspect to be considered in a tax discussion are the community host agreements which are in the process of or have been negotiated with communities which are to contain casino developments in Massachusetts. As has been noted on the Gaming Commission website, agreements for payments to these “host” communities will far exceed property taxes and other local taxes

<u>State</u>	<u>Slot Tax Rate</u>	<u>Table Tax Rate</u>
DE	56.5%	33.9%
CT	25%	
MA	25%	25%
NY	47%	
PA	55%	12%
RI	71%	18%
NV	6.75%	6.75%
<u>NJ</u>	<u>8%</u>	<u>8%</u>
Average	25.0%	18.0%

which may ordinarily be incurred. These results need to be determined, considered and factored into any “effective rate” in Massachusetts.

In New Hampshire, a tax rate higher than 33% – 35% could directly impact the number of jobs created, total long term investment in the facility and affect the overall economic impact of the related operations in a negative manner. The tax rate on table games (14% of daily gross table game revenue) does acknowledge the additional labor expense due to the more manual operations and related supervision of table games. Also, the casino “hold” percentage is less on most table games.

We also believe it should be mandated that 3 - 4% annually is to be allocated to required reinvestment back into the property (not necessarily annually, but put into a fund to be used only for reinvestment to ensure the quality of the property remains consistent) and some percentage of the tax rate (1%) could be earmarked to provide support for local and state compulsive or problem gaming programs. Furthermore, the 3 – 4% required reinvestment while appearing as an additional “condition” from a public perception standpoint is typically the rate at which experienced operators will set aside funds on an annual basis for normal capital improvements and property maintenance.

This would be similar to the reinvestment requirement as referenced in Massachusetts’ MGL, c.23K, s.21 (a) (4), “The licensee shall: ... (4) make, or cause to be made, capital expenditures to its gaming establishment in a minimum aggregate amount equal to 3.5 per cent of the net gaming revenues derived from the establishment; provided, however, that a gaming licensee may make capital expenditures in an amount less than 3.5 per cent per year as part of a multi-year capital expenditure plan approved by the commission.”

Another option is a base tax rate guaranteed to the state of (33% - 35%) with perhaps with 1% – 2% to host/local communities to offset related expenses.

Considerations

- Lower rates are more relevant to jurisdictions in which the capacity of the market is permitted to float with operator investment.
- Higher rates limit total investment available which, in turn, tends to limit the nature of the facility to more "gambling oriented" than full amenity oriented

- Number of operators not typically capped at lower levels, allowing market and risk of operators to "maximize" both market development and overall return to the people of the State
- Higher rates place operators at competitive disadvantage in attracting and retaining customers, especially when geographic factors have to be overcome
- Investment Level
- Smaller end lends itself to a greater number of investors and properties but does not typically match the desires for more full amenity development
- Higher End requires larger concentration of gaming to acquire "critical mass" of product variety and visitations to drive capacity utilization

Ideal Unclaimed Winnings/"Breakage" Distribution

With the current ticket-in/ticket-out technology, most unclaimed winnings are of small denominations where the patron decides it is not worth standing in line to redeem at a kiosk or at the cage for a small amount of change, or the patron decides to save the ticket for a return visit only to lose the slip of paper. In dealing with these unredeemed winnings once they expire, we have seen two models:

- The Operator retains outstanding tickets/vouchers (after a predetermined time period) as revenue and it is taxed accordingly, or
- more recently, many states have decided to claim outstanding tickets/vouchers as "unclaimed property" defined as any financial asset that has been left with a "holder," such as a bank, insurance company or other business or organization, without activity or contact for a specified period of time.

Pay Table Calculations for Electronic Gaming

Every slot machine has a pay table that lists all the possible payouts in a slots game and will show the payout for each combination of symbols for the number of coins bet. The internal payout percentage relates to the amount returned to a slot player in the form of winnings. This would be the difference between total bets and the casino's "hold". If a pay table for a machine states that the payout percentage is 85%, the slot machine will return 85 cents of winnings and the rest of the dollar goes to the casino. The payout percentage is calculated over time and it could take up to thousands of spins before the percentage is actually paid out.

It's best to provide ranges for each game type and denomination so the operator has flexibility with new and popular slot products moving forward. We would recommend keeping any Pay Table requirements out of the legislation and addressed in the regulatory rules to provide the managing Gaming Board flexibility to respond to market demand. Regarding "fair" pay table limits, we would recommend:

- Participation Games: if wide area progressive machines (WAPs) and/or revenue share games are permitted, the range should be 11% - 16% (these games are typically the highest hold games on the floor).

- Penny Video Reel: should be in the 10% - 13% range. This will be the majority of the floor. This will allow a wide mixture of manufacturers and game types. There will be some (few) games that may come-in above or below the recommended range.
- \$0.02 - \$0.05: Video reel or mechanical reel: There may not be any of these in the mix, but if there are we would recommend 8% - 11%.
- \$0.10 - \$0.25 and \$1.00 Video Reels: 5% - 8%. These are typically high-limit room games with Multi-line, and a high average bet.
- \$0.25 Mechanical Reels: If there are any of this type: 8% - 11%.
- \$1.00, \$5.00 up to \$100 Mechanical Reels; 4% - 7%.
- Video Poker Multi Game/Multi-Denomination (action games included):
 - 0.01-\$0.10: 7% - 11%
 - \$0.25-\$0.50: 5% - 7%
 - \$1.00-\$100: 2% - 5%
- Video Keno: 9% - 12%

Minimum and Maximum Payout Ratios by Jurisdiction ^s

State	Overall			Slots			Video Poker	
	Min	Max		Min	Max		Min	Max
Arizona				83	100		83	100
Arkansas	83							
California								
Colorado	80	100						
Connecticut								
Delaware	87	95						
Florida	85							
Illinois	80							
Indiana								
Iowa								
Kansas	87							
Kentucky								
Louisiana	80	99.9						
Maine								
Maryland	87							
Massachusetts								
Michigan *	75							
Minnesota				80	95		83	98
Mississippi								
Missouri								
Montana	80							
Nevada	75							
New Hampshire								
New Jersey	83							
New Mexico	80	96						
New York								
North Carolina	83	98						
North Dakota				80	100		83	100
Ohio								
Oklahoma								
Pennsylvania								
Rhode Island								
West Virginia	80	95						
Wisconsin	80	100						

Note: Michigan requires games to be set to the minimum standards for machines in Nevada or New Jersey

Capital Investment and Number of Gaming Positions:

Minimum capital investment and required elements of capital investment and reinvestment, including specifications for hotels, restaurants or live entertainment facilities. Ideal allocation of the number of licensees, coupled with the number of gaming positions, in the State of New Hampshire, given current and expected developments in gaming in northeastern United States

Based on our projections for the facility and the activity in Massachusetts, A minimum initial investment of \$200M - \$300M for the casino is recommended (or required) with a total investment of at least \$450M within five years of issuance of the license. The requirement in SB 152-O that “the applicant agree to make a minimum capital investment in the project in an amount determined by the commission; provided that such capital investment shall be not less than \$425,000,000 and exclusive of land acquisition, off-site improvement costs and license fees” follows similar practices by previous state jurisdictions to ensure potential project proposals meet a predefined benchmark in terms of the quality of the facilities they propose to develop in the marketplace. As we see in Massachusetts, the proposals are exceeding expectations with some proposals committing over \$1 billion for the projects. We also expect proposals that exceed this minimum threshold in New Hampshire, but this is a sufficient starting point and will allow the market to dictate the final configuration of the resort as well as discourage less serious bidders, or bidders who might, lacking this provision, propose minimal facilities beyond merely the casino itself in order to minimize the total capital investment.

As non-gaming amenities continue to make up a greater share of casino-resort revenue, allowing potential developers to add and refine amenities over a five year period provides flexibility to the developer to add or expand the appropriate facilities as the market matures versus requiring a total investment at the outset which may lead to a suboptimal mix in the facilities programming. It is unlikely a developer will open with anywhere close to 5,000 slots or 150 table games (prior facilities in similar markets to that of Southern New Hampshire have typically opened with around 2,500 slot machines and between 75-100 table games). A

developer in NH is therefore more likely to open with 2,000 to 2,500 slots and between 75-100 table games with the option depending on market conditions to expand to 5,000 slots and 150

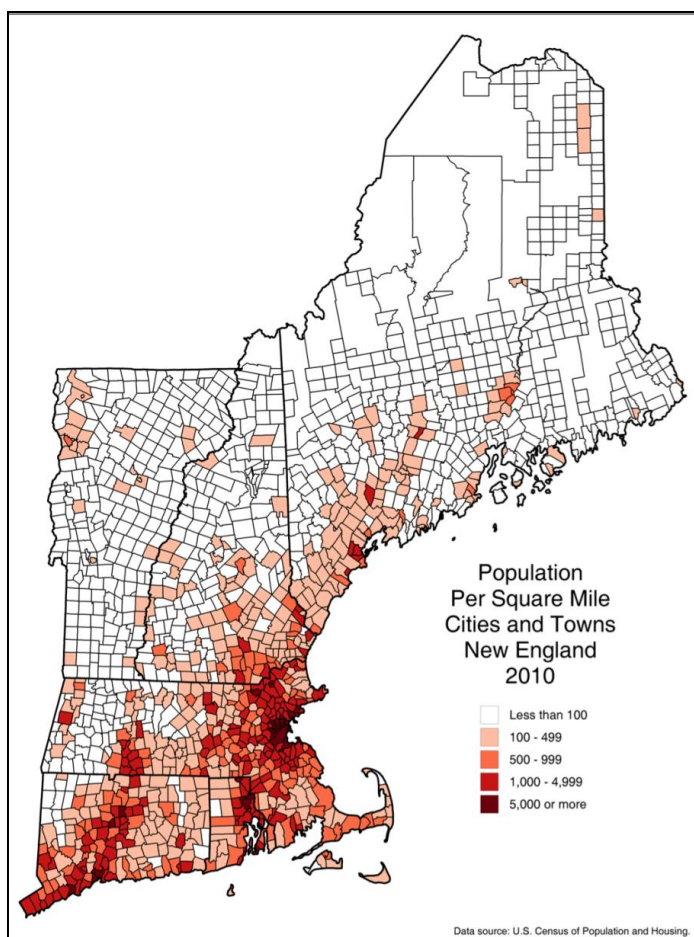


table games. The hotel facilities would most likely also expand at some point in the future as the casino and resort facilities induce additional demand for room nights and meeting and event space, and the economy continues to recover and expand.

The goal of this effort is to offer a comprehensive gaming resort, able to attract local market patrons, gaming and non-gaming tourists as well as groups, both leisure and business.

For a stand-alone casino format, we would envision a large high-end casino containing roughly 2,000 – 2,500 slot machines, and 85 table games, including a poker room. We would expect a minimum 350-room casino hotel to accommodate overnight gaming patrons with oversized standard rooms, an approximately 10,000 square foot spa, and fitness center. There will be numerous food & beverage venues and some level of retail (based on surrounding retail options in order to avoid cannibalization from existing retail businesses), which are not important to the state from a tax basis at this time, but will enhance the overall gaming and entertainment experience. Given the level of tourism and a location in southern New Hampshire, we assume that a correctly sized meeting and event space (minimum of 25,000 square foot) will also add to the appeal of the facility and fill in seasonal fluctuations in attendance.

The Verizon Wireless Arena is currently a major entertainment venue in Southern New Hampshire. Seating capacity for the Verizon Wireless Arena varies, depending upon each individual event. For example, hockey games seat approximately 10,019, basketball seats 11,140 people, end stage concerts hold about 10,050, while center stage concerts seat about 11,770. The Manchester Monarchs, a professional ice hockey team in the American Hockey League, an affiliate of the Los Angeles Kings since 2001, also play their home games at the Verizon Wireless Arena. It would not make sense for a casino hotel to compete with the type and level of entertainment offered by the arena. It would make sense for the new casino hotel to work together with the arena to further enhance the overall entertainment experience in southern New Hampshire and northern Massachusetts. Given the large format nature of the Verizon Wireless Arena, the proposed facility could support a more intimate entertainment venue. Entertainment options improve the offerings casino facilities include in their programming, and can help attract non-gaming patrons to the property, generating additional revenues from a market not typically served by a pure casino property type.

The state does not have to specify the precise characteristics of the proposed development in the regulations. Given the minimum investment requirement, the operator will configure the mix of amenities most likely to complement and enhance the property based on their brand history and industry expertise. Much time and effort will be devoted to the overall property program including: casino size and game mix, hotel room count and room mix, food and beverage offerings, retail sizing and mix, meeting and event space sizing, entertainment venue feasibility and sizing, spa and fitness sizing and configuration, and many other areas. Based on the potential bidders, multiple models exist for the operation of the various departments within the resort. Food and beverage space could be operated internally by the resort operator or leased to outside, established restaurant brands, or a mix of both. A similar practice could also hold for the retail space where some retail is managed by the resort operator and some leased to well-known retailers. Ultimately the market will likely dictate which model and mix works best for

the proposed facility. Operators, historically will evaluate the community and partner with local business wherever possible and bring in outside brands when appropriate.

Likewise, the size, quality and components of a hotel offering will take some study. The market supply and demand will ultimately determine the number and level of amenities (spa, fitness center, etc.). We expect the selected operator/developer will design and construct a facility which will be easily expanded upon over time as revenues contribute to this expansion. The above findings and conclusions are based, in part, on the following general assumptions:

- The first full year of operation for the proposed facility would be 2016
- The development will generally include the components as described above
- The competitive set and quality and scope of the competition will remain static during the timeframe of the report
- Active marketing and targeted promotional programs will be generated and maintained
- An experienced professional management team will operate the property

Considerations:

Number of Gaming Facilities

- Single facility limits geographic options and economic/population coverage
- Greater number of facilities reduces investment in each facility, reducing ability to promote investment and "resort" or high end image
- Single facility would likely not open with maximum gaming capacity. An operator would want to "grow" into proven capacity allowing operator to "under-develop" or "under-invest" in the market development

Greater number of facilities risks smaller sized and more "intrastate" competition for customers, promoting more "locals" market development

Other Options

As we understand the current legislative initiative calling for one casino license in New Hampshire, we also understand that, like many states, regions of the states have different characteristics and issues. Tourism is a significant industry in New Hampshire with many tourists visiting New Hampshire for skiing, hiking and to view the scenery and foliage at various times of the year.

New Hampshire Tourism Economic Highlights - Fiscal Year 2011⁷⁰:

- Travel and tourism is New Hampshire's second largest industry in terms of jobs supported by dollars from out of state.
- Trips in New Hampshire for recreation and business during FY 2011 were 33.99 million.
- Direct Spending in New Hampshire by travelers in FY 2011 reached \$4.22 billion.
- Traveler spending in FY 2011 supported approximately 61,821 direct full-time and part-time jobs.

⁷⁰ The NH Division of Travel and Tourism Development

- Visitors to New Hampshire in FY 2011 paid \$139.2 million in meals and rooms taxes (60.1% of all rooms and meals tax collected).

In addition, the New Hampshire Division of Travel and Tourism Development expects 7.8 million visitors to spend \$1.09 billion during the Fall of 2013.

Given this information, and to provide economic stimulus to the northern part of the state, the Authority may also want to consider adding a “Resort License”, for a reduced number of VLT/Slot machines (250 – 500) and table games (40 - 50) to be able to offer casino gaming as an additional amenity to an existing resort. Again, market supply and demand will determine the interest of casino developers to determine the value and proper configuration. This may help differentiate New Hampshire resorts from other New England and Canadian ski/golf resorts.

Tax Exemptions

Any special tax exemptions or subsidized government credit provided to casino licensees.

This is up to the discretion of the authority as tax exemptions or subsidies are not common for casino developments. The only current example is Revel in Atlantic City.

The Revel Casino Resort in Atlantic City was planned, designed and was in mid-construction when the economy was still strong and prior to increased competition from Pennsylvania, New York and Maryland. However, if not for state support, it is likely Revel would not have been completed. Morgan Stanley, the original investor, had walked away from the project in April 2010, taking a \$1.4 billion loss rather than finishing the project.

Revel was unable to secure new financing until the state stepped in February 2011 with a \$261 million tax credit and a pledge from Gov. Chris Christie to invest in the flailing tourism industry.

The tax credit demonstrated to Wall Street that the State of New Jersey was going to stand behind Atlantic City and investors delivered the \$1.1 billion needed to finish it.

The state financing came out of a stimulus package passed in 2009 to create jobs in New Jersey. Atlantic City's unemployment rate in November was 14.1 percent, well over the then state average of 9.1 percent. Money from the tax credits will go to revitalizing the blighted South Inlet area and to backing the second-tier loans.

Rules relating to a licensee's plans and continuing obligations for employment in both the casino development and operational stages, including a workforce development plan and affirmative standards designed to maximize equal opportunity for all potential employee applicants, including provisions for outreach to residents living locally or in nearby New Hampshire communities.

Applicants will include projected employment numbers in their proposals and will use this as an attractive component of their offering. Operators will be motivated to hire as many local residents as possible. Including local hiring and workforce development / training plans as a measured aspect of submitted proposals would be appropriate, but they will be motivated to do this anyway.

From our experience, casino operators make great efforts to become good members of the community and are actively involved in educational and charitable endeavors. Many work with local community colleges and vocational schools to establish gaming related curriculum to be taught going forward and sometimes establish their training centers there. It is in their best interest to hire as many employees as possible from local communities. Usually, only top executives will be brought in from other jurisdictions. Operators will not relocate individuals for manager jobs and below. Job fairs, dealer schools and training initiatives for required skills will be included.

State operation of a gaming facility vs. private management with Government oversight.

It is advisable to let professionals do what they do best. Private operators will be more motivated to generate higher revenues due to various incentives (including shareholders) and market conditions. Government review and oversight is necessary and expected of the private operators. Even in jurisdictions where gaming facilities are state owned (Canadian provinces), private management is retained.

Rhode Island is a unique situation. The state oversee all aspects of gambling. The State Lottery Division (within the Rhode Island Department of Revenue) manages and controls all aspects of gaming. Entities referred to as "retailers" own and operate the facilities where gaming is conducted. For Twin River, the current owners are 140 investors including banks, insurance companies and investment firms. Our belief is that this is not a model to emulate.

Maryland attempted to operate with a model where the state owned the slot machines and quickly realized the impracticality of this model and backed off in subsequent years.

Use of auctions to determine license fees, tax rates, capital investment amounts, number of gaming positions, or other fiscal and capacity requirements.

We have seen this in other industries where bidding on a contract is more normal. In the case of awarding this casino license, there is more to consider than just the license fee and tax revenue stream. The amount of job creation, investment in the community and any social impacts of gaming within the state also need to be considered.

An auction would reduce accusations of favoritism by the authority and project a sense of fairness in the award process. The Pennsylvania Gaming Control Board received criticism in the awarding of licenses as it appeared certain licenses favored particular groups or individuals.

Projections

Based on comparator set data, and the population, income levels and other factors, we have developed the following models:

Assumptions					
2013	<u>Property Name</u>	<u># Slots</u>	<u>W/U/D</u>	<u># Tables</u>	<u>W/U/D</u>
	Comp 1 Sands Bethlehem	3,018	\$ 264.00	166	\$ 2,734.00
	Comp 2 Twin Rivers	4,700	\$ 276.00	66	\$ 2,813.00
	Comp 3 The Rivers	2,885	\$ 269.00	115	\$ 1,649.00
NH Main Property	Unknown	2,500	\$ 280.00	85	\$ 2,400.00

Projected Revenues Based on Current Assumptions

Growth Rate	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Slots Revenue	\$ 267,864,375	\$ 275,900,306	\$ 284,177,315	\$ 292,702,635	\$ 301,483,714	\$ 310,528,225	\$ 319,844,072	\$ 329,439,394	\$ 339,322,576	\$ 349,502,253
Slots Tax	\$ 80,359,313	\$ 82,770,092	\$ 85,253,195	\$ 87,810,790	\$ 90,445,114	\$ 93,158,468	\$ 95,953,222	\$ 98,831,818	\$ 101,796,773	\$ 104,850,676
Tables Revenue	\$ 76,693,800	\$ 78,994,614	\$ 81,364,452	\$ 83,805,386	\$ 86,319,548	\$ 88,909,134	\$ 91,576,408	\$ 94,323,700	\$ 97,153,411	\$ 100,068,014
Tables Tax	\$ 10,737,132	\$ 11,059,246	\$ 11,391,023	\$ 11,732,754	\$ 12,084,737	\$ 12,447,279	\$ 12,820,697	\$ 13,205,318	\$ 13,601,478	\$ 14,009,522
Total Tax Revenue	\$ 91,096,445	\$ 93,829,338	\$ 96,644,218	\$ 99,543,545	\$ 102,529,851	\$ 105,605,746	\$ 108,773,919	\$ 112,037,136	\$ 115,398,250	\$ 118,860,198
										\$ 2,448,520,077
Present Value	\$ 2,228,473,886									
***Discounted at 5%										
Slots Tax - 30%										
Table Tax 14%										

Projected Revenues Based Highest Viable Tax Rates

Growth Rate	5%	5%	4%	4%	4%	3%	3%	3%	3%	3%
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
Slots Revenue	\$ 258,693,750	\$ 271,628,438	\$ 282,493,575	\$ 293,793,318	\$ 305,545,051	\$ 314,711,402	\$ 324,152,744	\$ 333,877,327	\$ 343,893,646	\$ 354,210,456
Slots Tax	\$ 90,542,813	\$ 95,069,953	\$ 98,872,751	\$ 102,827,661	\$ 106,940,768	\$ 110,148,991	\$ 113,453,461	\$ 116,857,064	\$ 120,362,776	\$ 123,973,660
Tables Revenue	\$ 78,183,000	\$ 82,092,150	\$ 85,375,836	\$ 88,790,869	\$ 92,342,504	\$ 95,112,779	\$ 97,966,163	\$ 100,905,148	\$ 103,932,302	\$ 107,050,271
Tables Tax	\$ 14,072,940	\$ 14,776,587	\$ 15,367,650	\$ 15,982,356	\$ 16,621,651	\$ 17,120,300	\$ 17,633,909	\$ 18,162,927	\$ 18,707,814	\$ 19,269,049
Total Tax Revenue	<u>\$ 104,615,753</u>	<u>\$ 109,846,540</u>	<u>\$ 114,240,402</u>	<u>\$ 118,810,018</u>	<u>\$ 123,562,419</u>	<u>\$ 127,269,291</u>	<u>\$ 131,087,370</u>	<u>\$ 135,019,991</u>	<u>\$ 139,070,591</u>	<u>\$ 143,242,708</u>
										\$ 2,950,799,792
Present Value	\$ 2,674,887,698									
***Discounted at 5%										
Slots Tax - 35%	**Projected revenues are exclusive of any per machine fee and are exclusive of any other tax revenue changes (plus or minus) that will accompany a casino development (local property tax, state business tax, state meals and rooms tax, lottery revenues, liquor sales, etc.) that we are unable to estimate at this time.									
Table Tax 18%										

Miscellaneous

Central Computer System

Considerations for the establishment, connection, maintenance and security of a central computer system.

A central system is a relatively new concept of additional state oversight in the central review and monitoring of VLT / Slot Machine performance of games within the jurisdiction. In our opinion, the central system model was initially implemented due to the relationship of the state and their online lottery system provider. Central systems typically implemented are lottery products and are outside of casino management systems generally found in the industry (Bally, IGT, Konami, and Aristocrat). To placate lottery vendors, managers within the states were sold on the ideas of safety, accountability and “checks and balances” to have a second redundant system, at a cost of millions of dollars to reproduce the functionality of slot accounting, similar to the systems their state labs or affiliates validate for use by casino licensees. This means there are two systems, paid for by licensees which once operational, for a number of reasons, will never be in synch or balance. Hours of time and effort will thereafter be spent to explain discrepancies and determine small debits and credits – back and forth between the state’s central system and the licensee’s onsite accounting system.

With one casino, using a certified system (either by the state or accredited lab) which the state has access to (with read only permissions as a beginning) we would think that level of oversight would be sufficient. Without some over-riding reason of state protection, we think the implementation of a central system for one (or even two) casino-resort properties is unnecessary.

Host Community

Rules for host community and impacted community acceptance of casino development, including requirements for negotiated agreements.

When Massachusetts passed their 2011 gaming legislation, they included an unprecedented program for a municipality deemed to be impacted (expect to experience negative effects) by the development of a proposed casino-resort facility the ability to negotiate an agreement with the developer (or by petitioning the Gaming Commission within 10 days after a developer's final application is submitted) to seek compensation for the impact of the facility. In fact, the affected community may receive up to \$50,000 for the purpose of negotiating the agreements, the funding for which derives from the applicant’s fee to the state.

There is no relative experience to relate to this provision. In contrast, in Pennsylvania, the state retained oversight authority to determine where developments were to be located and could over-rule local zoning authorities.

1	CROSS-REFERENCE SB 152 OMNIBUS	
2	REPORT TO THE GAMING REGULATORY OVERSIGHT AUTHORITY	
3	RFP AREA #2 REGULATORY ISSUES	
4	Cross-Reference to SB 152 Omnibus Version	<p>Each citation indicates the area in the Omnibus Version of SB 152 where the concept is addressed or where there is a provision mandating rulemaking to address the concept.</p> <p>NA Concept is not addressed.</p> <p>NFD Concept needs further development as outlined in the WhiteSand report.</p>
5		Gaming Agency Structure, Authority, and Interagency Provisions.
6	NFD 284-B:2 RSA 21-P:7-d	How powers and functions are divided amongst multiple agencies.
7	NFD 284-B:3 284-B:28	Scope of rule-making authority and the best practices regarding legislative/gaming agency interaction.
8	NFD 284-B:2 RSA 21-P:7-d	Whether special functions or powers are assigned to non-gaming agencies such as a state's attorney general or state police or independent auditing agency.
9	NFD 284-B:2	The method of selection and oversight of key gaming agency officials, including whether any commissioners or board members are part-time.
10	NFD 284-B:2	Terms of employment of key gaming agency officials.
11		Fiscal and Capacity Requirements
12	284-B:12, II 284-B:13, I (i)	Minimum capital investment and required elements of capital investment and reinvestment, including specifications for hotels, restaurants or live entertainment facilities.
13	284-B:9	Ideal allocation of the number of licensees, coupled with the number of gaming positions, in the State of NH, given current and expected developments in gaming in northeastern United States.
14	284-B:13	Application, licensing, and other fees or penalties, including provisions for licensee/applicant payment of investigation and other related costs.
15	284-B:19, VIII 284-B:22	Rates of taxation or other allocation of gambling proceeds (i.e. host amount, compulsive gambling, mutual brand development, etc)
16	NA 284-B:21, VII	Ideal unclaimed winnings/"breakage" distribution
17	NFD 284-B:21, VI	Ideal pay table calculations for electronic gaming

18	NA	Any special tax exemptions or subsidized government credit provided to casino licensees.
19	284-B:12,I(b)	Rules relating to a licensee's plans and continuing obligations for employment in both the casino development and operational stages, including a workforce development plan and affirmative standards designed to maximize equal opportunity for all potential employee applicants, including provisions for outreach to residents living locally or in nearby NH communities.
20	284-B:2	State operation of a gaming facility vs. private management with Government oversight.
21	NA	Use of auctions to determine license fees, tax rates, capital investment amounts, number of gaming positions, or other fiscal and capacity requirements.
22		Integrity of Gambling
23	284-B:4, VI 284-B:12 284-B:16 284-B:17	Scope of required background investigations, codes of conduct, financial disclosure rules, and conflict of interest provisions, by category of public and private officials, owners, employees and companies involved in gaming.
24	NFD 284-B:30	Special rules protecting against undue political influence through direct or indirect campaign and other political contributions.
25	284-B:3 284-B:15, IV	Checks and balances built into the regulatory structure to protect against excessive concentration of authority, and to provide transparency and rights of appeal.
26	284-B:3, I (r) 284-B:4, V(f)	Rules targeting problem gambling and behavior, including any prohibited gaming practices and exclusionary rules for persons deemed not fit for gaming.
27	284-B:3, I (z)	Rules regarding the provision of credit to gaming patrons, the availability of ATMs at casinos, and the acceptance of credit or debit cards on the gaming floor.
28	284-B:3, I (n), (o) & (p)	Rules requiring periodic financial or other special reports by casino licensees and by regulatory agencies.
29	284-B:24	Issues regarding on-site monitoring and enforcement by agents independent of the licensee.
30	284-B:5	Considerations for the establishment, connection, maintenance and security of a central computer system.
31	Amendments RSA 274-2	Special civil and criminal code rules setting enforceable standards for punishing illegal gaming.
32	NFD 284-B:3	General enforcement powers of the key gaming agency.
33		Licensing or Certificate Awards
34	284-B:3 NFD-sign off	Provisions for the issuance of administrative regulations defining the licensure or certification process, including applicable timelines as they

		relate to license/certificate application review and award timelines, and review or sign-off on regulations by agencies other than the primary regulatory agency.
35	Introduction 284-B:18	Provisions identifying a casino license, technology provider license, or other certificate or license as a revocable privilege, including:
36	284-B:3, I (w) 284-B:18	Rules for ongoing review, complaints and ad hoc investigations, ownership or other material licensee changes, licensee sanctions, and licensure suspension, revocation and renewal.
	284-B:15, IV	Rules for administrative and judicial review of licensing decisions.
38	284-B:25	Rules for addressing financial or other failure by a licensee, including conservatorship, receivership or equivalent provisions.
39	284-B:15	Provisions designed to ensure an open and competitive bid process including reasonable timelines for each stage of the licensing or certification process.
40	284-B:3, I (w) 284-B:18	Requirements for specification of proposed capital development, including proposed timelines and consequences of failure to meet timelines.
41	284-B:12 284-B:16	Requirements for demonstration of immediate and long range financial feasibility of applicant's proposal, including any special provisions related to a history of bankruptcy.
42	284-B:15, II	Standards governing the selection of the winning bidder.
43		Other Licensure Standards
44	284-B:3, I (k) & (t)	Technical specifications, game-playing rules, areas of operation, odds, permitted and prohibited gaming devices, and other rules for all aspects of authorized games.
45	284-B:10	Rules for host community and impacted community acceptance of casino development, including requirements for negotiated agreements.
46	Proposed RSA 172; 284-B:12, I (b) (10); 284-B:3, I (q)	Rules for infrastructure improvements; charitable gambling; smoking and alcohol; casino advertising and its coordination with jurisdiction tourism branding or other promotions.
47	284-B:20	Rules prohibiting underage gambling and presence of minors on the gaming floor.
48	284-B:4, V(g)	Rules intended to mitigate the impact of casino live entertainment facilities, or other casino facilities, on existing community-based facilities.
49	284-B:12, I (d)	Initiatives to maximize use of sustainable energy at all stages of proposed casino development and operation.
50	284-B:3	Gaming agency authority to issue subpoenas and compel attendance of witnesses.
51	NFD - approval 284-B:4, V	Gaming agency approval requirements for major licensee contracts.
52	284-B:13, III	Term of License award.

53	284-B:12, I (10)	Provision for independent problem gambling, substance abuse and mental health counseling and for information regarding such services and how to access assistance either on-site or off-site.
54	NA	Provisions relating to internet gaming or other new gaming platforms or categories.
55		
56		
57		

Appendix A

Massachusetts Status

In November 2011 Massachusetts passed a Gaming Act to introduce casino gambling into the state and authorizing the Massachusetts Gaming Commission (MGC) to license 3 regional casinos and one slots parlor. The Massachusetts Gaming Commission is targeting February, 2014 as their date for issuing casino licenses. Licensing will launch the construction phase, which will last 9-12 months, making the grand opening of the first Massachusetts casino in late-2014 or early 2015. The Massachusetts law establishing expanded gaming in the state was created by House Bill H3807 with amendment by Senate document 2035. It passed the legislature Nov 14, 2011 and was signed into law by the governor Nov 22, 2011.

Key Provisions

Establishment of the Massachusetts Gaming Commission (MGC)

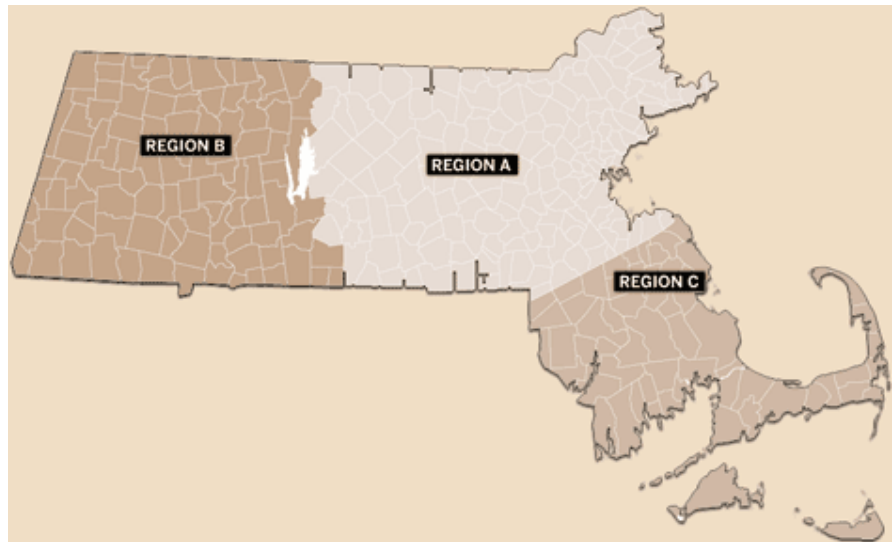
This is a 5-member commission. The governor appoints its chairman, the state attorney general appoints one member with law enforcement experience, the state treasurer appoints one member with finance experience, and the governor, attorney general and the treasurer together appoint the last two members.

The Massachusetts Gaming Commission will license three casinos and one slots-only casino in the state.

The 3 casinos will be divided into 3 separate regions. Region A includes Suffolk, Essex, Middlesex, Norfolk and Worcester counties; Region B is Western Massachusetts; and Region C is the southeast including New Bedford, Fall River, Cape Cod and the South Shore. The slots-only casino can be built anywhere in the state.

The Mashpee Wampanoag tribe is attempting to meet requirements to develop a tribal casino in Taunton.

- Casino bidders must commit to invest at least \$500 million in each facility. The slots-only casino must pledge a \$125 million investment.
- Casino bidders must pay an \$85 million licensing fee. The slots-only casino requires a \$25 million licensing fee.
- The casino application fee is a non-refundable \$400,000.



- The gaming tax must be at least 25 percent of the gross gaming revenues
- of the facility or \$100 million, whichever is higher Each casino must be approved by local voters.

Massachusetts Casinos: Proposals, Plans and Locations

Applicants

Mashpee Wampanoag Casino

The House is scheduled to consider the casino compact reached between the Mashpee Wampanoag Tribe and Gov. Patrick, according to a copy of the Legislative agenda sent to representatives.

The compact lays out how much the tribe would pay the state if it wins federal approval to build a \$500 million Indian casino in Taunton. Under the terms of the deal, the tribe would pay from 21 percent to 0 percent of gross gambling revenues based on the level of competition in Southeastern Massachusetts, known as Region C in the legislation that authorized casinos. If a commercial casino is licensed in the region and the tribe also wins federal approval, it would not have to pay the state any money under the terms of the compact.

Slots License

Plainridge Racecourse

Plainridge Racecourse is a harness track that hopes to add 1,250 slot machines to its racecourse and simulcast operations. It is seeking the only slot machine license offered by the state. Plainville is 35 miles southwest of Boston.

Penn National Gaming has proposed a \$225 million project at Plainridge Racecourse, which would be renamed Plainridge Park Casino, a departure from the company's Hollywood casino brand name. Penn's argument to the commission leaned heavily on saving harness racing in Massachusetts. Plainridge is the state's only active harness track, and the sport probably will not survive at Plainridge if Penn does not win the license.

Raynham

Developer George Carney wants to build a \$125 million slots parlor at the Raynham Park facility. Raynham Park has partnered with Greenwood Racing, owner of Parx Casino outside Philadelphia, for a \$168 million slots parlor at the facility that has been offering simulcasting since voters outlawed dog racing in Massachusetts four years ago.

Leominster

Cordish Cos. of Baltimore has proposed a \$204 million slots parlor near the intersection of Route 117 and Interstate 190 in the north-central city of Leominster. It is about an hour from Boston, just off Route 2, the main east-west highway in the northern part of the state. As it is about 40 miles from southern New Hampshire, it will provide some competition (if approved) to a New Hampshire casino property. However, the slots only environment and the 49% gaming tax (40% plus 9% to the Race Horse Development Fund) should make it less desirable as a destination and less likely to attract those within 30 miles of southern New Hampshire.

Casino License

Region A

In Everett, Massachusetts -- which neighbors Boston -- Steve Wynn is proposing a \$1.2 billion waterfront resort that will include 550 hotel rooms, a 600-seat outdoor amphitheater, and a 100,000 square foot casino. Suffolk Downs and Foxwoods are also both competing for the single license, and a decision is expected in early 2014.

The owners of Suffolk Downs propose a \$1B destination resort casino at their thoroughbred race track in East Boston. It would feature 200,000 sq-ft of gambling space, thousands of slots, 200 table games, 10 restaurants, a 300-room hotel, and a new grandstand. In a surprise move, as reported by the Boston Globe, Caesars Entertainment has been dropped from the Suffolk Downs project because of doubts that they would pass the required state background check. This development could seriously affect the agreement with Suffolk Downs, which has been supported by Boston Mayor Menino.

Foxwoods Massachusetts, the partnership proposing to develop a \$1 billion resort casino in Milford, has agreed to provide the city with more than \$32 million in upfront payments and annual payments of more than \$31 million to offset the impact of the casino, which would be built off Interstate 495.

Region B

The Mohegan Sun is competing with MGM Resorts in Springfield for the state's single casino license in Western Massachusetts. Under the state's 2011 casino law, the commission can approve a slots' facility that could be anywhere in the state and up to three casino resorts, each in different geographic zones.

The Mohegan Sun, based in Uncasville, Conn., is proposing a nearly \$1 billion resort in Palmer on about 150 acres off Exit 8 of the Massachusetts Turnpike. MGM Resorts International announced plans for an \$800 million casino resort in Springfield, Massachusetts. The project is named MGM Springfield and will encompass three downtown city blocks. The total resort will be 500,000 square feet of casino gaming, dining, entertainment, hotel, residential and retail facilities.